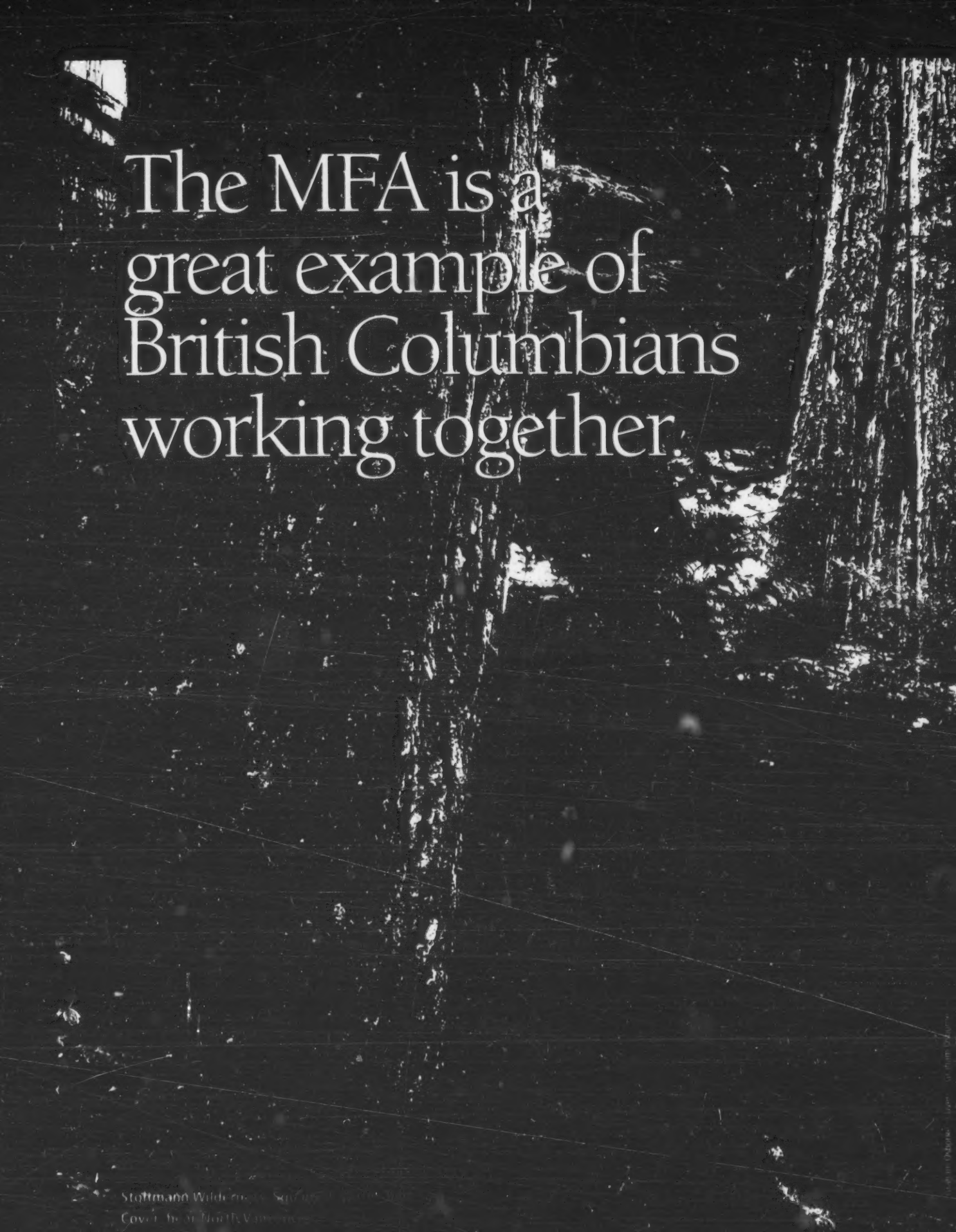
Municipal Finance Authority of British Columbia

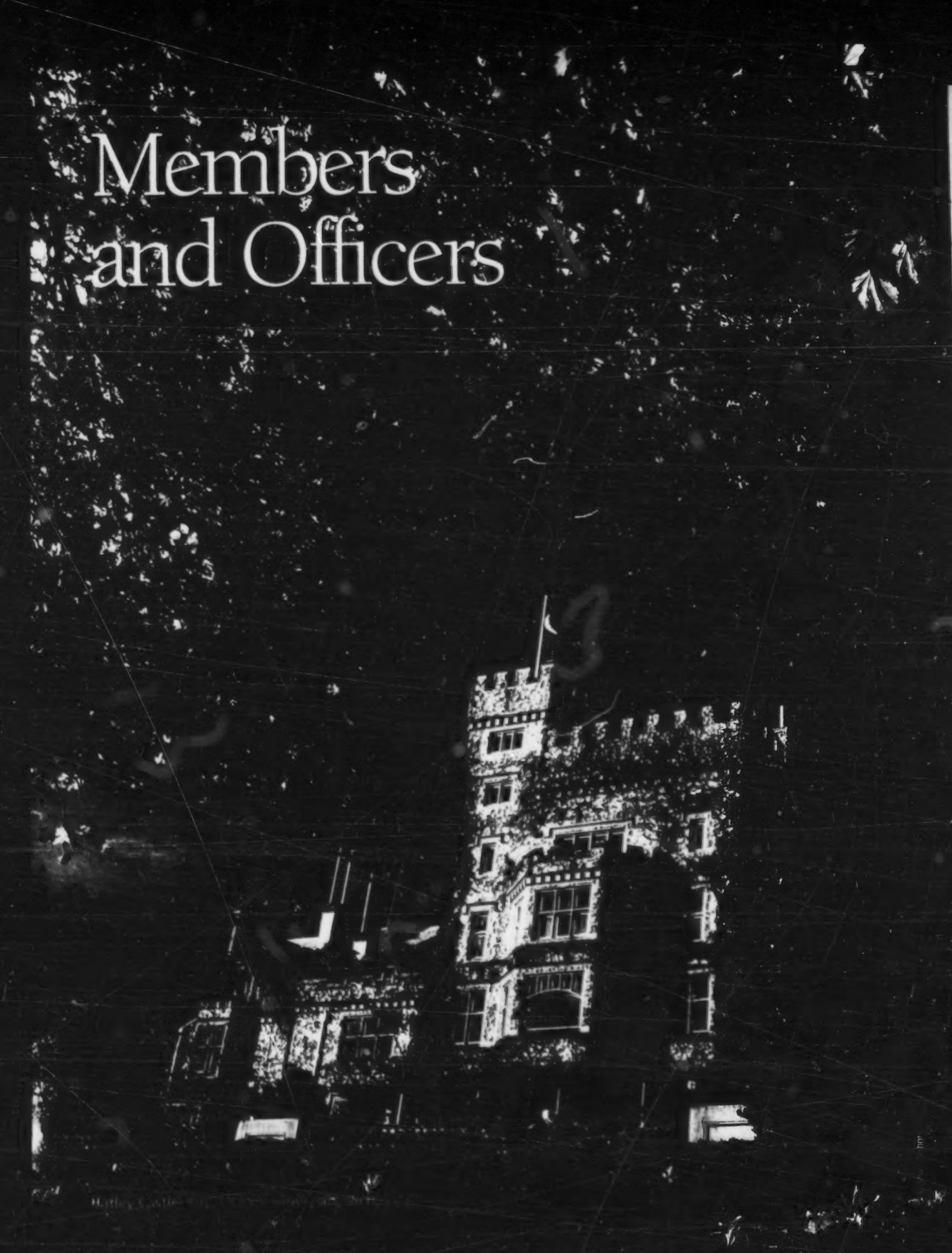
2000 Annual Report


The MFA is a
great example of
British Columbians
working together.

101-03434

When you use a recreation centre in Vanderhoof, ride a transit system in Vancouver, or see a sewer main being constructed in Parksville, chances are the MFA has provided financial support. The MFA is fully owned and operated by British Columbians. Our collective structure – we operate like a credit union – has helped us earn one of the few coveted AAA credit ratings in Canada allowing us to provide our services at the best possible rates. If you are a municipality or regional district in British Columbia, you have access to all of the programs the MFA offers. If you are a public institution, there are programs available to you, too. Read on.

Members and Officers



[B.C. Local Government is Fully Represented at the MFA]

The Municipal Finance Authority of British Columbia (MFA) is directed by an elected body of individuals from every regional district across the province of B.C. The internal workings of the MFA are detailed below.

Members of the board are appointed each year

Each regional district board in British Columbia appoints at least one member to the MFA's Board of Directors. Since regional district boards are made up of elected officials from the unincorporated areas and the member municipalities, each appointed representative may be a chair, director, mayor or councillor. The number of members appointed by each board is based on the population of the regional district.

Currently, there are 27 regional districts in B.C. – and 35 members on the MFA Board. Members meet twice a year, once at the Annual Meeting in March and again in September or October.

Trustees are elected by the board each year

The Board of Directors elects trustees at the Annual Meeting from among its members. The Board of Trustees is composed of a chair and nine trustees. Of these ten individuals, four must be from the Greater Vancouver Regional District, one from the Capital Regional District and five from the remaining regional districts. Trustees ensure that appropriate officers and staff are in place to operate the MFA. They work closely with MFA staff year-round.

Auditors and solicitors are appointed

Auditors for the MFA are appointed by the members each year at the Annual Meeting. Our general legal counsel works with us year-round and also acts as our bond counsel for the spring bond issue. Our alternate bond counsel administers the fall bond issue, ensuring that more than one solicitor is familiar with the unique requirements of the MFA.

Members at the 2000 Semi-annual Meeting, Union Club, Victoria, B.C.

2000 Board of Directors

REGIONAL DISTRICT	MEMBER
Alberni-Clayoquot	M. Kokura
Bulkley-Nechako	T. Euverman
Capital	F. Leonard (Chair)
Capital	D. Amos
Cariboo	G. Sehn
Central Coast	G. Wells
Central Kootenay	J. Voykin
Central Okanagan	R. Hobson (Trustee)
Columbia Shuswap	R. Martin
Comox-Strathcona	D. Andrews
Cowichan Valley	M. Coleman (Trustee)
East Kootenay	J. Ogilvie
Fraser-Fort George	C. Kinsley (Trustee)
Fraser Valley	R. Hawes
Greater Vancouver	L. Traboulay (Late Chair)
Greater Vancouver	M. Grinnell
Greater Vancouver	H. Sparkes
Greater Vancouver	D. McCallum
Greater Vancouver	K. Kumagai (Trustee)
Greater Vancouver	D. Drummond
Greater Vancouver	D. Bell (Trustee)
Greater Vancouver	H. Staub (Trustee)
Kitimat-Stikine	J. Talstra
Kootenay Boundary	B. Baird
Mount Waddington	G. Furney (Trustee)
Nanaimo	J. Stanhope
North Okanagan	J. Oglow
Northern Rockies	J. Sime
Okanagan-Similkameen	R. Mayer
Peace River	B. Lekstrom
Powell River	L. Emmonds
Skeena-Queen Charlotte	E. Wampler
Squamish-Lillooet	S. Gimse
Sunshine Coast	D. Murray
Thompson-Nicola	J. Ranta (Trustee)

AUDITOR

KPMG LLP, Victoria, B.C.

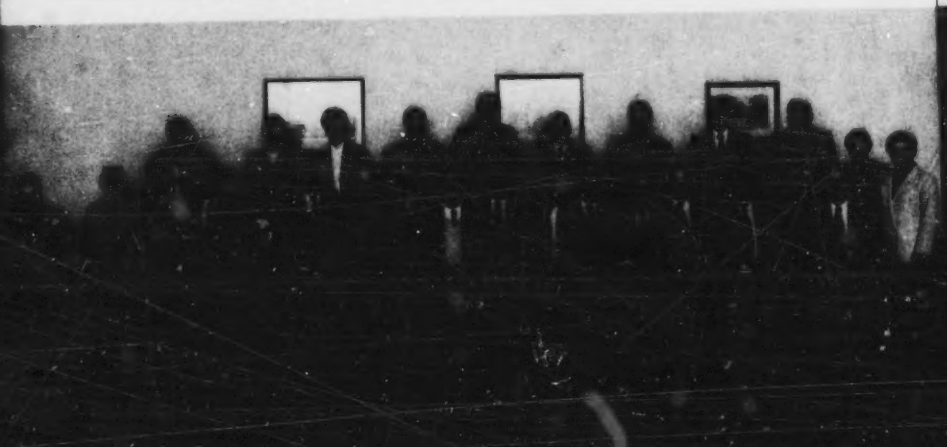
SOLICITORS

BOND AND GENERAL COUNSEL
Bryant & Company, Victoria, B.C.

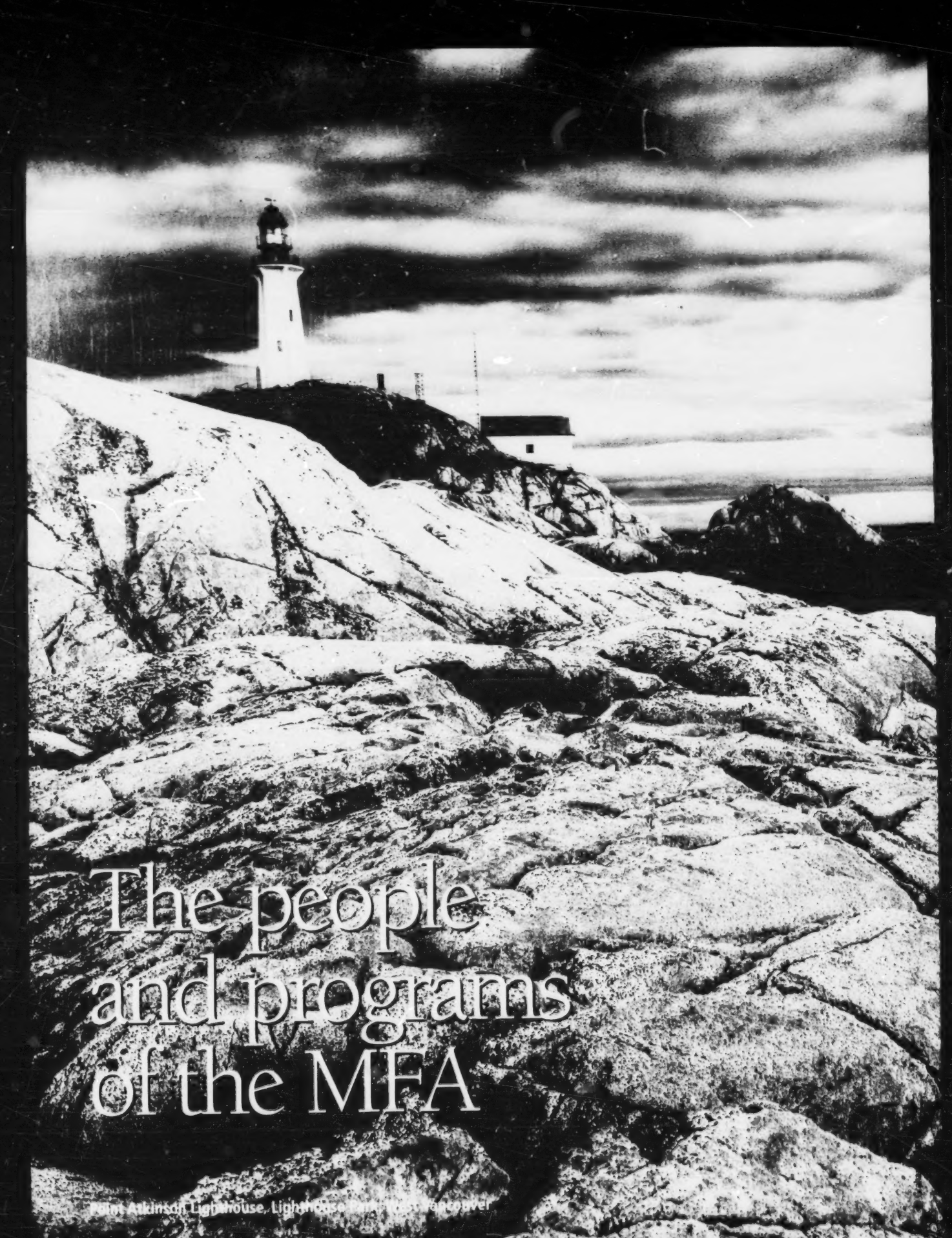
ALTERNATE BOND COUNSEL
Farris, Vaughan, Wills & Murphy Vancouver, B.C.

OFFICERS

EXECUTIVE DIRECTOR	*James R. Craven*
DIRECTOR OF FINANCE	*Stephen A. Berna*
DIRECTOR OF CORPORATE SERVICES	*Barb J. Gordon*



Dona Lokken
DIRECTOR OF FINANCE
CAPITAL REGIONAL DISTRICT



The people and programs of the MFA

Point Atkinson Lighthouse, Lighthouse Park, West Vancouver

[THE PEOPLE WHO MAKE IT HAPPEN]

Our staff may be small in number but they're highly trained in the programs we offer. Continual cross-training ensures that we provide you with excellent service. Pick a program. One of our staff will have the in-depth knowledge to answer your questions.

Steve Berna, C.A.
Director of Finance
Steve is responsible for investment and debt management. This includes projections of sinking fund surpluses, future debt costs and analysis of derivative products that will ensure debt costs are within budget. Steve does presentations throughout B.C., Canada, the U.S. and Asia about the MFA and its products. He is a member of the MFA's Education Fund Committee.

Allison Boyd
Receptionist/Accounting Clerk
Allison has a general knowledge of the MFA and its programs, so she is able to answer a lot of questions from people who call in. Allison sends out information to our program participants and helps support everyone in the office.

Jim Craven
Executive Director
Jim provides the focus of the MFA and develops the new financial products, such as the Investment Pool, Interim Financing and Leasing programs. Jim interfaces with bankers and program participants and does the majority of presentations in B.C., Canada, the United States, Europe and Asia. He plays a lead role in our consulting activities and plans our yearly Financial Forum, a one-day seminar on issues that are important to British Columbians.

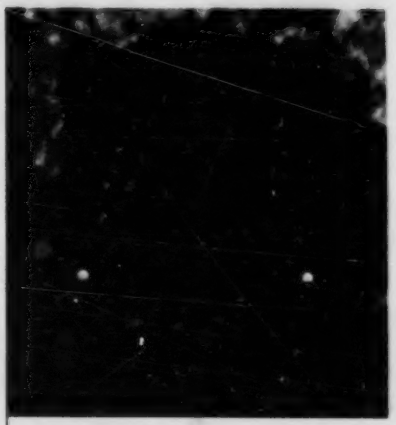
Graham Egan, C.A.
Manager of Accounting
Graham is responsible for the accounting and administration of debt issues, such as debt schedules, surplus payments, stop payments, early payments and money market purchases. Graham also oversees the accounting department and prepares our annual financial statements.

Marguerite Fenske
Accounting Clerk
Marguerite runs our Leasing Program, helps with accounts payable, oversees the administrative part of our Investment Pool Program and does the invoicing for all of the long-term debt.

Barb Gordon
Director of Corporate Services
Barb is responsible for the documentation and correspondence for MFA bond issues, the MFA Board of Directors, Board of Trustees and our Underwriting Syndicate. She develops all of our presentations, annual report, brochures and any marketing material. Barb is a member of the MFA's Education Fund Committee.

Shelley Hahn
Accounting Officer
Shelley is our internal accountant, overseeing the day-to-day accounting for all of our programs. She prepares our monthly internal financial statements and works with the Manager of Accounting to prepare our year-end reports and members' debt schedules.

Delena Patterson
Accounting Clerk
Delena runs our Interim Financing Program, which includes processing all withdrawals and payments. Delena is also responsible for the internal accounting of our operating fund, including accounts payable and our yearly tax levy. She maintains our web site.



Our designated heritage building – designed by architect A.A. Cox – is a fine example of Edwardian Classical style. Built for the British American Trust Company, B.A. Bond Corp. Ltd. in 1912, it projects a banker's image of solidity and permanence. Eighty-nine years later, surrounded by modern office towers, it still projects that image.

Terry Mori

Managing our investment funds

Phillips, Hager & North Investment Management Ltd. (PH&N) manages our investment funds, and CIBC-Mellon is our custodian. PH&N invests the funds in accordance with the investment policies set out by the MFA Trustees.

As custodian, CIBC-Mellon administers all of the activities related to the funds – deposits, withdrawals and transfers – and monitors PH&N's transactions to ensure they stay within set policies. CIBC-Mellon reports independently from PH&N on fund earnings.

We offer four programs that can help you borrow capital funds, invest money and lease assets. Municipalities and regional districts in British Columbia have access to all of the programs we offer. Other public institutions have access to some of these programs. Check the program descriptions below to see if you are eligible to participate.

Long-term Financing Program

In the spring and fall of each year, we launch a bond issue to raise long-term capital for our participants. In each of these bond issues, we pool together all of the requests for monies we receive from our participants and borrow an aggregate amount.
We are able to offer this financing at very competitive rates for a variety of reasons:

- Pooling results in a large-size issue, making it more tradable and thus more attractive to buyers.
- Our AAA rating allows us to price our bonds at a good rate, even in difficult markets.
- Managing the timing of each issue allows us to launch the issue at the best possible time, thus selling our bond at a good rate.
- Borrowing only twice a year keeps our administration costs low.
- The use of forward rate locks and other swap products allows us to favourably "lock in" rates before we actually launch the issue.

The result? Lower lending rates to you.

For municipalities and regional districts (excluding the City of Vancouver) that want to borrow capital funds, this program is not optional. They must borrow these funds through the MFA. This program is also available to regional hospital districts, E-Comm, the Greater Vancouver Sewerage and Drainage District, the Greater Vancouver Water District and TransLink.

Investment Pool Program

The MFA offers three investment programs for participants: the MONEY MARKET FUND for investments of less than one year; the INTERMEDIATE FUND for investments from one to three years; and the BOND FUND for investments of more than three years. Users of our funds can deposit or redeem amounts as low as $1000, making them accessible to all sizes of communities in B.C. For the last two years, our funds have peaked at more than $1 billion in total.

Ours is a voluntary investment program, so we strive to offer the best possible rates compared to our competitors. Because participants pool their funds, we are usually able to realize better returns than if they invested by themselves outside the pool. We also offer very low administration rates: 0.15% for the Money Market Fund and 0.20% for both the Intermediate and Bond funds. There are no additional charges for getting monies in and out, or for transferring monies between funds.

The rates of return on the three funds are compared to the appropriate Scotia McLeod index. The Scotia McLeod index is a benchmark used by many funds to

evaluate their success. Our Money Market Fund returns are also compared to those of the Canadian Chartered Banks' money markets. Our fund has consistently beaten these rates since its inception.

This program is available to municipalities, regional districts, regional hospital districts, E-Comm, the Greater Vancouver Sewerage and Drainage District, the Greater Vancouver Water District, TransLink, universities, colleges, First Nations, improvement districts and municipal organizations.

Leasing Pool Program

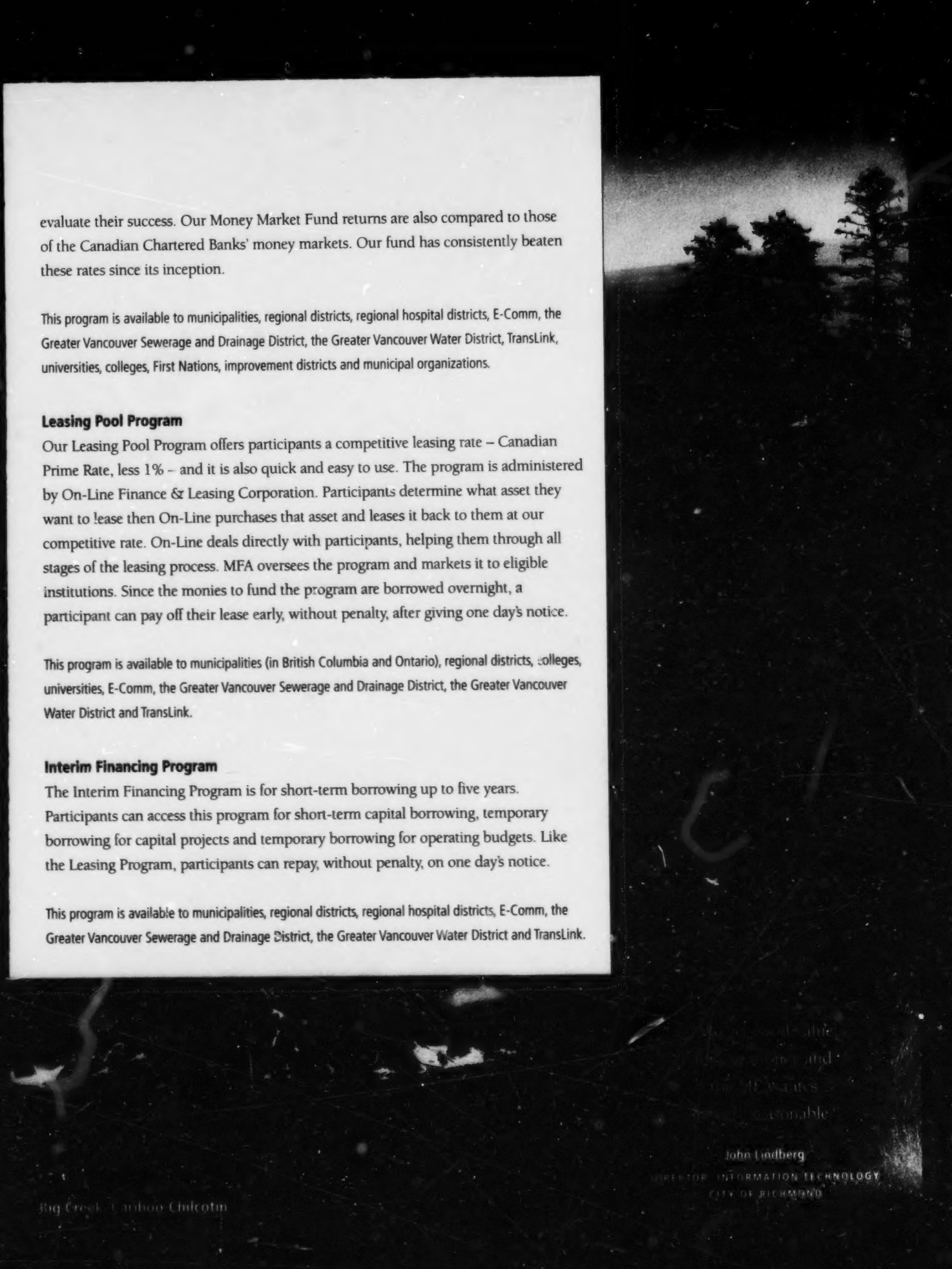
Our Leasing Pool Program offers participants a competitive leasing rate – Canadian Prime Rate, less 1% – and it is also quick and easy to use. The program is administered by On-Line Finance & Leasing Corporation. Participants determine what asset they want to lease then On-Line purchases that asset and leases it back to them at our competitive rate. On-Line deals directly with participants, helping them through all stages of the leasing process. MFA oversees the program and markets it to eligible institutions. Since the monies to fund the program are borrowed overnight, a participant can pay off their lease early, without penalty, after giving one day's notice.

This program is available to municipalities (in British Columbia and Ontario), regional districts, colleges, universities, E-Comm, the Greater Vancouver Sewerage and Drainage District, the Greater Vancouver Water District and TransLink.

Interim Financing Program

The Interim Financing Program is for short-term borrowing up to five years. Participants can access this program for short-term capital borrowing, temporary borrowing for capital projects and temporary borrowing for operating budgets. Like the Leasing Program, participants can repay, without penalty, on one day's notice.

This program is available to municipalities, regional districts, regional hospital districts, E-Comm, the Greater Vancouver Sewerage and Drainage District, the Greater Vancouver Water District and TransLink.



Message from the Chair

Fall colours of the Western Larch, Lake O'Hara

Graham Osborne

On November 16th, 2000, we lost our Chair, Len Traboulay, who had played a significant role in British Columbia's political scene over the last quarter century. He was first elected Mayor of Port Coquitlam in November 1981 and had been a councillor for that city since 1972. We will all miss him very much.

As your Vice-Chair, I was pressed into service in early September and out of necessity "hit the ground running." We had a very busy autumn, including a trip to New York to see the rating agencies, having our AAA credit rating confirmed by Moody's and the Canadian Bond Rating Service (CBRS). Shortly after our visit to the east, Standard & Poors (who have always rated us as AA+) purchased CBRS, and one of our major preoccupations became discussions about reclassification to an AAA rating by Standard & Poors. We are happy to report that on February 14th, 2001, Standard & Poors advised us that the coveted AAA credit rating was awarded to the MFA.

Year after year, our highest priority is our credit rating, and this year will be no exception. The quality of our credit sets the standard for all our programs from long-term capital borrowing to leasing and interim financing.

In the spring of 2000, the MFA launched a $130-million, re-opening of our 1999 10-year domestic issue. Again, we re-opened this issue in October and added a further $156 million, bringing the total issue size (including 1999 activities) to a grand total of $646 million – currently the MFA's largest issue.

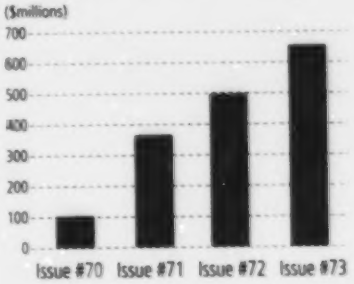
Combining issues is a conscious choice of the MFA; adding to the size increases trading potential and thereby narrows our cost of borrowing. It also makes the issue more attractive to the institutional investors of Canada, many of whom now hold MFA debentures in their portfolios in excess of $100 million each.

These large investors are important to us, and we have decided to focus on a regular series of visits to our large clients, keeping them "in the loop" about our activities and credit worthiness, while collecting feedback to enable us to make our issues even more attractive.

Our theme has been "outreach" this year. Jim Craven was asked to speak at the Government Financial Officers' Association Conference in Chicago, attended by 5,000 finance officials in North America. Jim Craven and Steve Berna spent one week in Indonesia at the Conference on Development of Indonesian Municipal Bonds hosted by the University of Hawaii, where they gave the bulk of a three-day workshop attended by about 450 local government representatives, investment bankers and finance ministry officials.

FRANK LEONARD
Chair,
Municipal Finance
Authority of
British Columbia

Building Liquidity



"YEAR AFTER YEAR, OUR HIGHEST PRIORITY IS OUR CREDIT RATING, AND THIS YEAR WILL BE NO EXCEPTION."

"THE CONFERENCE IN INDONESIA WAS SO SUCCESSFUL THAT THE MFA WILL PLAY A PROMINENT ROLE IN HELPING PRESENT A PROGRAM OF LOCAL GOVERNMENT FINANCE SEMINARS FOR FAR EAST COUNTRIES."

In the spring of 2000, Len Traboulay and Jim Craven were also asked to speak about the MFA model in Berlin at the request of *Euromoney Magazine*. Their audience was primarily from Eastern Europe, Western Europe, Japan and the former Soviet Union. The MFA model has also been useful for provinces like Québec, which received the benefit of our advice last year in a joint study with KPMG LLP, and for Ontario where we presented to Catholic school boards. Our model is also generating interest in third-world countries.

The conference in Indonesia was so successful that the MFA will play a prominent role over the next five years in helping present a program of local government finance seminars for Far East countries. This may also be accompanied by "hands on training" in our Victoria office.

Although serving local government in B.C. remains our primary task, all of these outreach activities add greatly to our prestige and generate consulting fees. In addition, our staff learn of new opportunities and situations that we can bring back to B.C. For example, recent conversations with a group of municipal finance authorities based in Europe indicated that they have a 0% risk weighting from their equivalent of our Office of the Superintendent of Financial Institutions (OSFI). In Canada, the MFA has a 20% risk weighting. This works against our credit, and our goal is to work with our OSFI to get our risk weighting down to 0%, as well. These two different weightings stem from different interpretations of International Monetary Fund regulations. Thus, the European example could be an important precedent for our organization in our ongoing discussions with the OSFI.

I am impressed with the good work of our Education Fund, which has disbursed $34,650 this year. We would like to thank Phillips, Hager & North for their ongoing generosity in contributing to the MFA Education Fund.

Investment Pool Returns

Annual Rate of Return	One Year	Since Inception*
BOND FUND (*May 10, 1989)		
Municipal Finance Authority	**8.17%**	**9.13%**
Scotia Capital Markets Short Term Index	8.24%	8.85%
INTERMEDIATE FUND (*May 30, 1994)		
Municipal Finance Authority	**6.02%**	**5.97%**
Scotia Capital Markets 360-Day T-Bill Index	6.04%	5.75%
MONEY MARKET FUND (*May 1, 1989)		
Municipal Finance Authority	**5.50%**	**6.74%**
Scotia Capital Markets 30-Day T-Bill Index	5.19%	6.60%

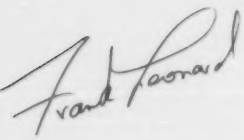
Our Investment Pool – managed by Phillips, Hager & North – showed excellent performance and participation again this year. Phillips, Hager & North posted the returns illustrated to the left below.

The sinking funds managed by our Director of Finance, Steve Berna, also realized good returns this year. The total Steve managed was in excess of $1 billion. This year's earnings by fund can be found on the right.

Our plans to extend the MFA's Leasing Pool to Ontario moved ahead in September, when we signed an agreement with the Association of Ontario Municipalities (AMO). Our first customer was Iroquois Falls, Ontario. Their new fire truck was made possible through our pool.

The year 2000 also marks the seventh year in a row that our pooled investment dividend has exceeded the tax levy by two and a half times. Again in 2000, our tax levy was around $100,000 and our dividend was $250,000. The cumulative dividend total paid since 1992 now equals $1.9 million. See the chart on the right.

Personally, it was a pleasure for me to serve as Vice-Chair under Len Traboulay. We made a good team. Now as your Chair, I want to thank the Board of Directors, the Board of Trustees, management and staff for their support and assistance on completion of another first-class year.

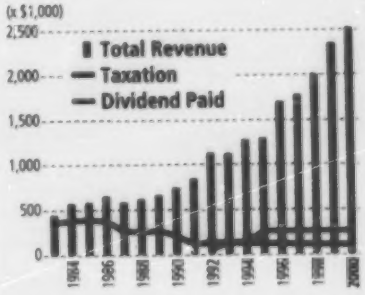


FRANK LEONARD
Chair,
Municipal Finance Authority of British Columbia

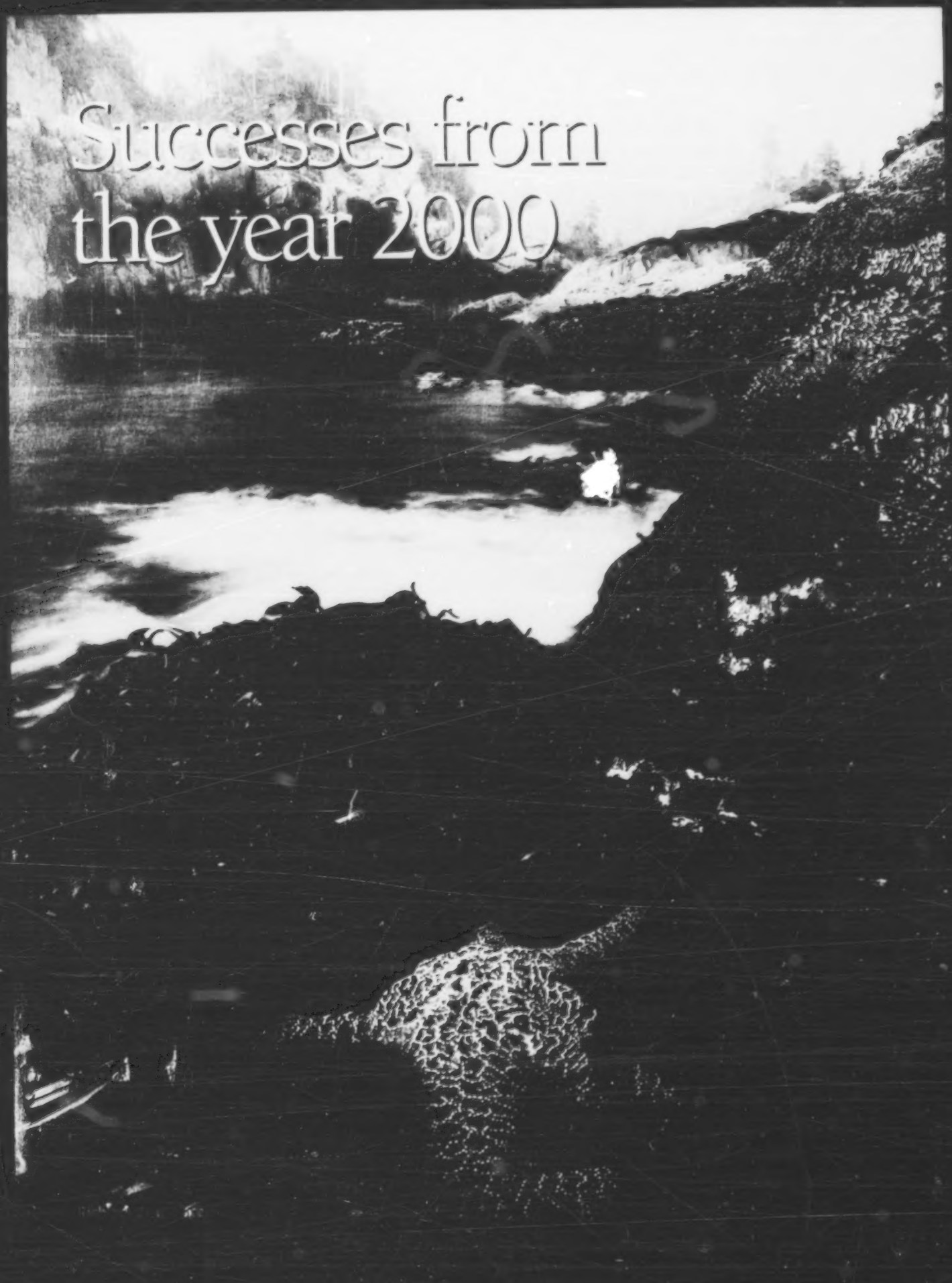
Sinking Fund Yields - 2000

	Weighted Average Yield
Statutory Sinking Fund	5.99%
Capital Repayment Equalization Fund	6.03%
Debt Reserve Fund	5.79%
Utilities	5.95%
TransLink	5.96%
Regional Hospital Districts	5.98%

MFA Operating Revenues



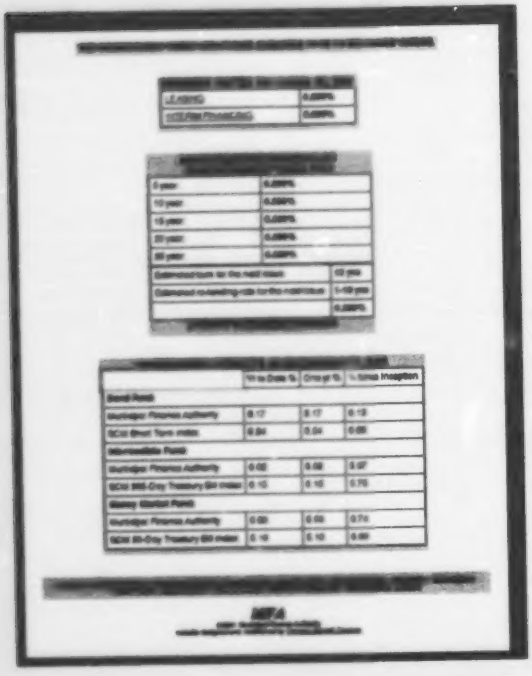
"IT WAS A PLEASURE FOR ME TO SERVE AS VICE-CHAIR UNDER LEN TRABOULAY. WE MADE A GOOD TEAM."


Successes from
the year 2000

[IMPROVED COMMUNICATIONS]

We listened to you in 2000. Information you wanted to see on our web site is now there. You can find the current rates for interim financing and leasing, estimated rates for long-term borrowing and the most recent returns on our investment funds. We have all of our forms, program brochures and amortization schedules in easy, downloadable formats. If you are looking for a sample template of a bylaw, need to find out when our next borrowing is or want to peruse a recent MFA presentation – it's on our web site.

This year, look for the MFA's Annual Report, a special section for our investors and summary information dates for MFA bond issues. We look forward to your continued input and are committed to refining our web site further in 2001.



www.mfa.bc.ca

This is our Current Rates page.

On our website, you can also find:

- *Status of Issue report*
- *Education Fund information*
- *Issue Highlights*
- *Calendar of Events*
- *Investor Information*

Measuring our success

We measure our success each year in terms of what we accomplish for our members – what new ideas, unique opportunities or interesting solutions we provide for them. The year 2000 was no exception.

Alan Benson

[Two of Many Successful Projects from 2000]

The new Coquitlam Ozone Water Purification Plant (above) and ozone generator (left), made possible by financing from the MFA.

We are proud to have provided financing and leasing opportunities for a variety of projects in 2000. Here are two examples of how we have been able to help local government provide innovative facilities for their communities.

Ozone water purification plant, GVWD

The Greater Vancouver Water District (GVWD), which encompasses 18 member municipalities, is responsible for delivering a safe supply of drinking water to approximately two million people. The Coquitlam water source is the largest of the region's three sources. After two years of construction, new facilities for Coquitlam were commissioned as part of the district's drinking water treatment program. These facilities include an ozonation building, a corrosion control and chlorination building, and a one-kilometre long, three-metre diameter stainless steel ozone contactor, designed to treat a flow of 1200 mL/day. The capital cost for the project was projected at $50 million, but came in below budget at just under $40 million. The MFA provided the financing at a competitive rate through our long-term financing program.

The new ozone treatment plant provides increased disinfection and is the first of its kind in North America. A sister plant to Coquitlam is scheduled to begin construction at the Capilano source in 2001 and will be operational in the fall of 2003.

Fraser-Fort George Regional District Building

On January 19, 2000, Jim Craven, our Executive Director, was asked to speak at the official opening of the Fraser-Fort George Regional District building. We were pleased to have provided leasing in 2000 that helped to fulfil the vision of a safe and healthy environment for the public and staff. The building's design maximizes the use of natural light in winter and will be landscaped to provide natural shade in summer. The use of wood in its construction and detailing was done consciously to promote the primary industry of this region. The building is located downtown to support the ongoing revitalization of Prince George's downtown core.

Planning began in the fall of 1997, and the building was completed below budget on December 17, 1999. Many people worked together to achieve this tight schedule, including the board, staff, the design-build team and project manager.

The MFA provided the lease that made the Fraser-Fort George Regional District building a reality.

Scott Marshall

[FINANCIAL FORUMS]

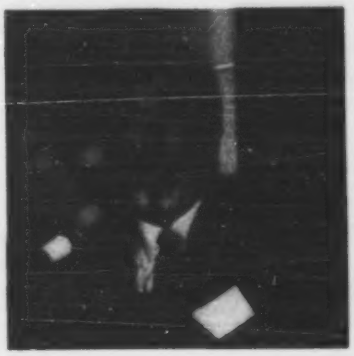
In 2000, we hosted another Financial Forum as part of our Annual Meeting. Originally, the forums were intended to enrich these annual gatherings of our members, but our audience has grown to include individuals from educational and financial institutions, the provincial government and local high schools on Vancouver Island, as well.

Our Financial Forums provide an opportunity to discuss current issues facing local government in B.C., and have focussed on topics such as Aboriginal land issues, Québec's relationship with Canada, B.C. forestry and the opportunities and obstacles of doing business in British Columbia.

Our Financial Forum for 2001 looked at the issues of amalgamation and privatization of water and sewer services.

Highlights from the 2000 Forum

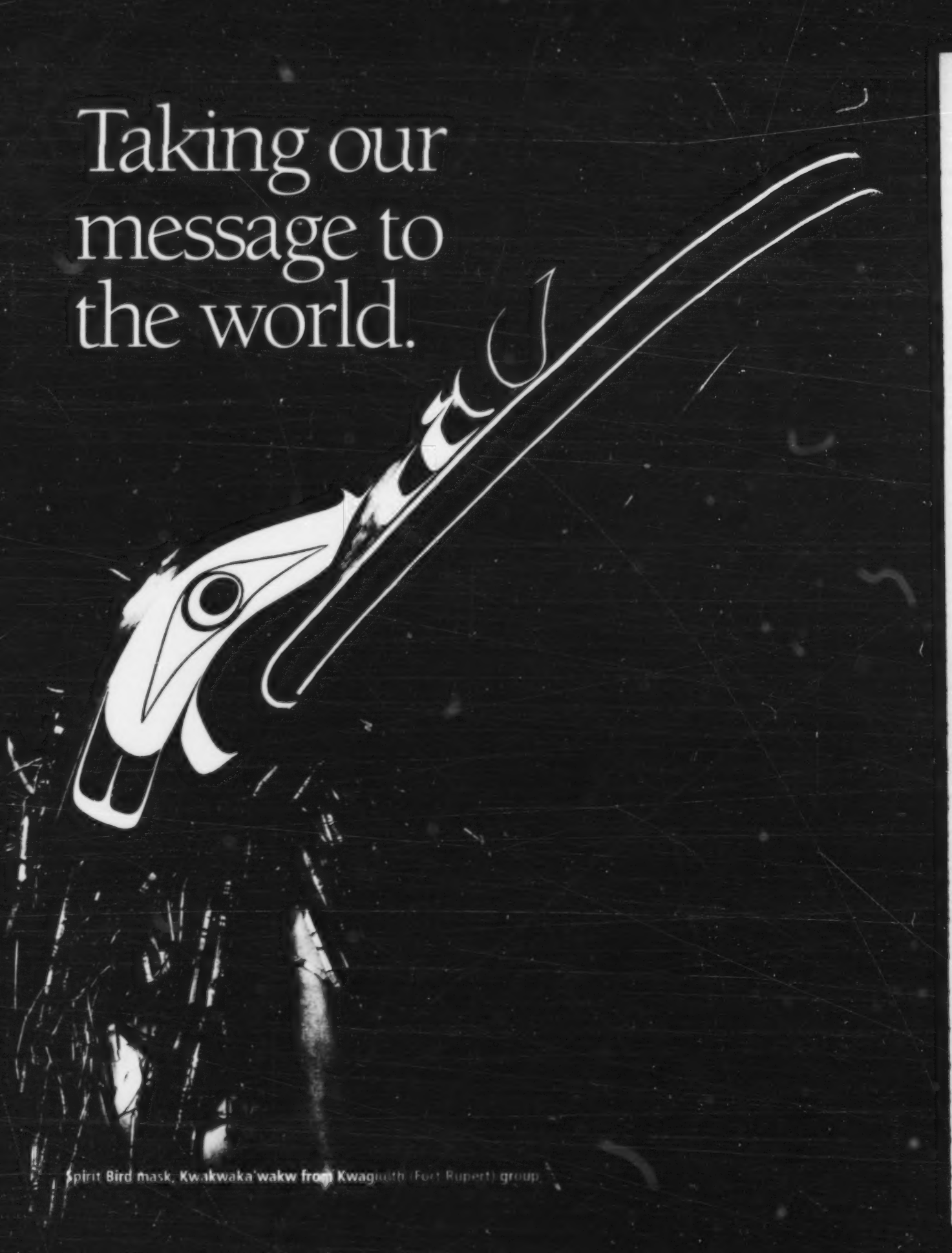
Professor Michael Goldberg (right), University of BC, introducing Mayor George Farkouh (left), City of Elliot Lake, Ontario. Professor Goldberg was the moderator for our conference "Obstacles and Opportunities: A Look at the Future of British Columbia." Mayor Farkouh wrote the book "The Elliot Lake Story" recounting one of the most successful municipal economic turnarounds in recent Northern Ontario history.



Bob Thompson, Executive Director, Greater Vancouver Economic Partnerships. The Greater Vancouver Economic Partnerships is an organization comprised of partners from the private sector and government. Their mandate is to promote investment in Greater Vancouver and comment on economic development. Mr. Thompson discussed some of the opportunities in the Greater Vancouver area.

Nancy Greene Raine, one of the best known names in Canadian skiing, spoke on ski industry opportunities in British Columbia. Nancy and her husband Al Raine were involved in the development of Whistler and then left there in 1994 to develop the Sun Peaks Resort near Kamloops.

Taking our message to the world.



Spirit Bird mask, Kwakwaka'wakw from Kwagiuth (Fort Rupert) group

[OURS IS A UNIQUE BUSINESS MODEL THAT WORKS]

Since its creation in 1971, we have been telling British Columbians that the MFA is a successful business model because it is based on the concept of "economies of scale" meaning you can achieve economic savings by increasing your scale of production or volume.

Local governments in B.C. benefits from the MFA model because they realize cost savings in the borrowing they do through us. They also get more competitive rates of return on the monies they invest in the pooled investment funds. An additional benefit to participants is that the favourable rates we offer put pressure on other financial institutions to become more competitive.

We have delivered our message to participants across the province by giving presentations at their chapter, council and municipal government meetings. And we have met informally with participants to discuss individual concerns and ideas they may have.

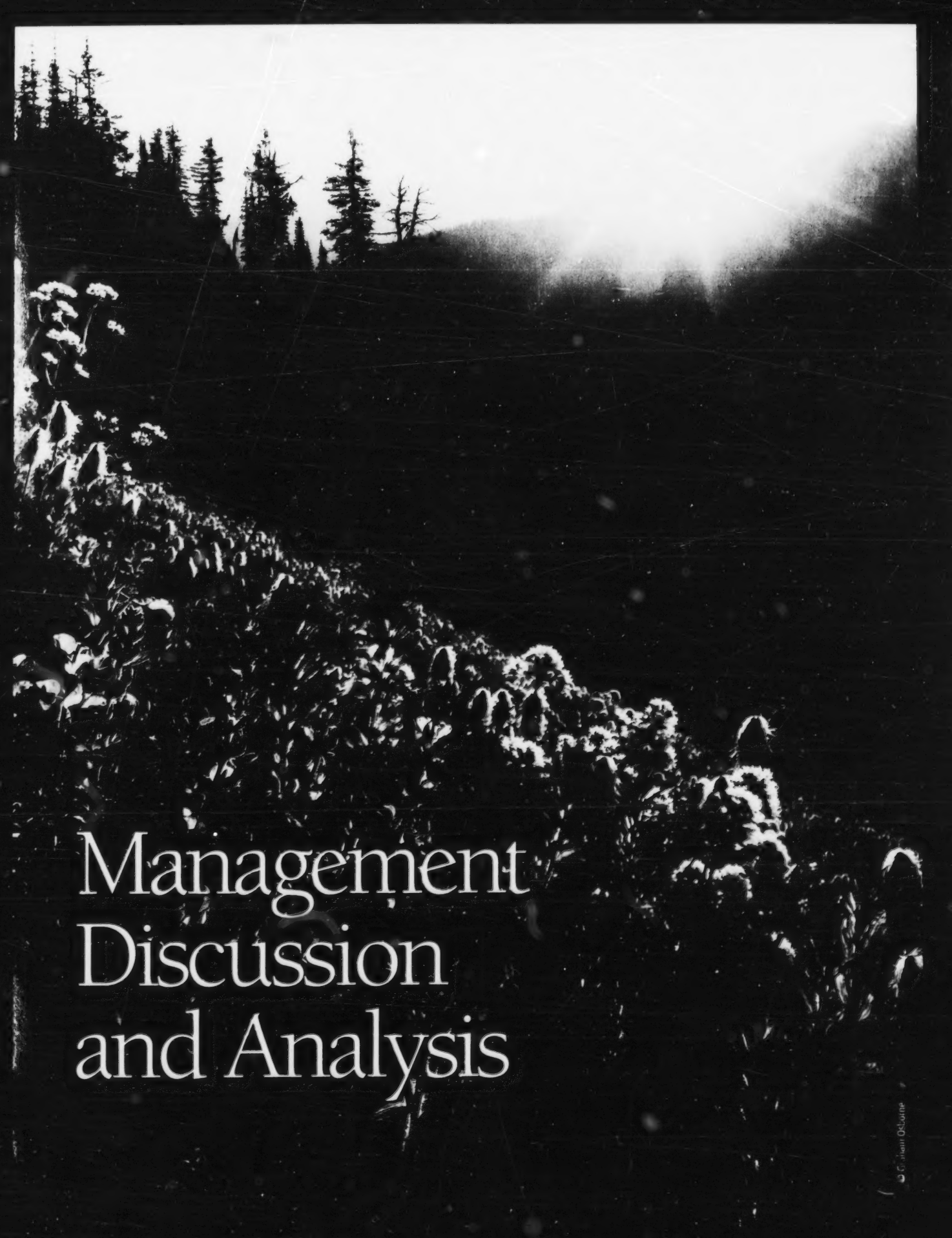
We have been bringing our message across Canada since 1989. We have helped to create an investment pool in Ontario and Manitoba. Ontario uses our Leasing Pool Program and the Yukon participates in our Investment Pool Program. Last year, we did consulting work with KPMG LLP on the feasibility of introducing the MFA model in Québec. We have also been helping the federal government to develop a First Nations Finance Authority for Aboriginal organizations across Canada. All of this work brings revenue into the MFA and benefits the other provinces.

Internationally, we are starting to get our message across. We are excited that we have been able to present and discuss our unique, "made-in-B.C." product at conferences in Berlin, Bergen, Jakarta and Chicago. Every contact we make with people in other countries provides us an opportunity to educate them about our model and to draw attention to British Columbia – and Canada.

Jim Craven (left) at the Conference on Development of Indonesian Municipal Bonds Market, Surabaya, Indonesia speaking with Bambang Sudibyo (right), Minister of Finance, Indonesia

Our message is simple

Work together, streamline the processes and outsource specialized tasks to the private sector.



Management Discussion and Analysis

[FINANCIAL SUMMARY]

Thousands of Dollars

AT DECEMBER 31	2000	1999
Capital Financing		
Total assets – combined funds	4,135,835	4,050,130
Loans to Members outstanding	2,714,849	2,702,045
Long-term debt outstanding	3,235,022	3,123,290
Investments, including sinking funds	1,069,954	1,018,640
Long-term debt, net of investments	2,165,068	2,104,650
Debt Reserve Fund, total assets	270,090	280,900
YEAR ENDED DECEMBER 31		
New loans to Members	242,473	921,302
Loan Repayments from Members	226,081	201,930
New debt issued	286,122	1,076,759
Debt retired	188,675	169,483
Investment income	69,317	61,383
Interest paid	251,761	259,190
Pooled Investments		
Money Market Fund – Unitholders' Equity	555,773	478,519
Intermediate Fund – Unitholders' Equity	71,020	53,022
Bond Fund – Unitholders' Equity	122,294	127,546
Interim Financing and Leasing Funds		
Loans outstanding	147,265	129,680

Adrian Maas
CAMPBELL RIVER

[DISCUSSION AND ANALYSIS]

The purpose of this discussion and analysis is to provide additional information to our current and prospective lenders, and should be read in conjunction with our audited financial statements.

Highlights from the year 2000

- Two new debenture issues were launched in 2000. The first issue, on April 12, was for $130 million while the second issue on November 7, was for $156 million. Both issues were a re-opening of our June 1, 2009 5.25% debenture. The purpose of each re-opening was to add liquidity. The total size of the 5.25% June 1, 2009 issue now equals $646 million.
- Surpluses returned to our members (i.e., earnings on investments in excess of that needed to repay maturing debt) was $18,074,590.
- Debt for the MFA at December 31, 2000 was:

Gross Debt	Investments at Book	Net Debt	Municipal Reserves and Surpluses
$3,235,022,000	$1,069,954,000	$2,165,068,000	$3,147,008,000

Future Borrowing – Debt Issuance

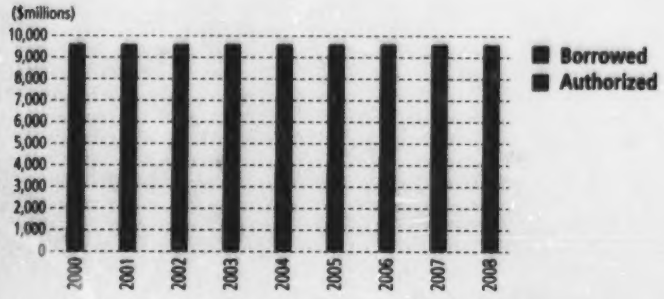
The MFA recognized the importance placed on liquidity by lenders. Our current borrowing plan for the spring 2001 issue will be to create a new issue dated June 1, 2011 or June 1, 2012. This 10 or 11 year issue will be of sufficient term to allow it to be re-opened through 2001 and into 2002.

Estimated future borrowings: ($ millions)				
2001	2002	2003	2004	2005
$293	$400	$402	$380	$462

After factoring in future borrowings and future maturities, the total gross debt out to 2008 is still below 50% of the MFA's members borrowing power.

Future Projection

GROSS DEBT OUTSTANDING VS. AUTHORIZED LIMIT



Surpluses for 2001 by Issue and Term

Note: To calculate your share of the surpluses, divide your amount borrowed by the "Total Requests by Term" and multiply by the "Surplus by Term."

ISSUES	DATE	TERM	SURPLUS BY TERM	TOTAL REQUESTS BY TERM
#27	June 3, 2001	5	$38,676	$106,500
	June 3, 2001	10	$390,871	$865,502
	June 3, 2001	15	$2,048,966	$3,776,839
	June 3, 2001	20	$12,091,257	$45,834,973
	June 3, 2001	25	$1,912,895	$12,121,332
#29	April 30, 2001	10	$471,710	$923,469
	April 30, 2001	15	$1,223,200	$2,034,292
	April 30, 2001	20	$8,144,729	$74,034,944
	April 30, 2001	25	$2,147,509	$17,077,425
#30	April 30, 2001	20	$1,451,246	$23,913,981
	October 29, 2001	20	$1,950,768	$23,913,981
#37	June 13, 2001	20	$122,376	$13,379,095
	December 13, 2001	20	$141,192	$13,379,095
#39	June 3, 2001	10	$576,209	$2,495,900
	June 3, 2001	12	$56,332	$225,000
	June 3, 2001	15	$332,472	$1,187,356

Upcoming Refinancing Dates

Issue #39, which matures June 2, 2001, will refinance the 20- and 25-year borrowers. The anticipated rate of refinancing will be around 6.5%. If participants do not want to be refinanced, they can pay out their remaining principal owing on June 2, 2001. Please let the MFA know well in advance if your intent is to pay out on June 2, 2001.

Swap ideas for existing debt

For all borrowers whose term of borrowing exceeds the term that the MFA borrowed for (i.e., they will need to be refinanced in the future) and whose current relending rate is "High," there is a product whereby we can lock in your refinancing now and average your current rate with the lower rates of today, perhaps saving you money now on your budget. You would then pay a lower interest rate, starting today, until the end of your bylaw.

Certain issues which were financed during higher interest periods of the late 80s or early 90s and terms that could possibly benefit are shown on the right.

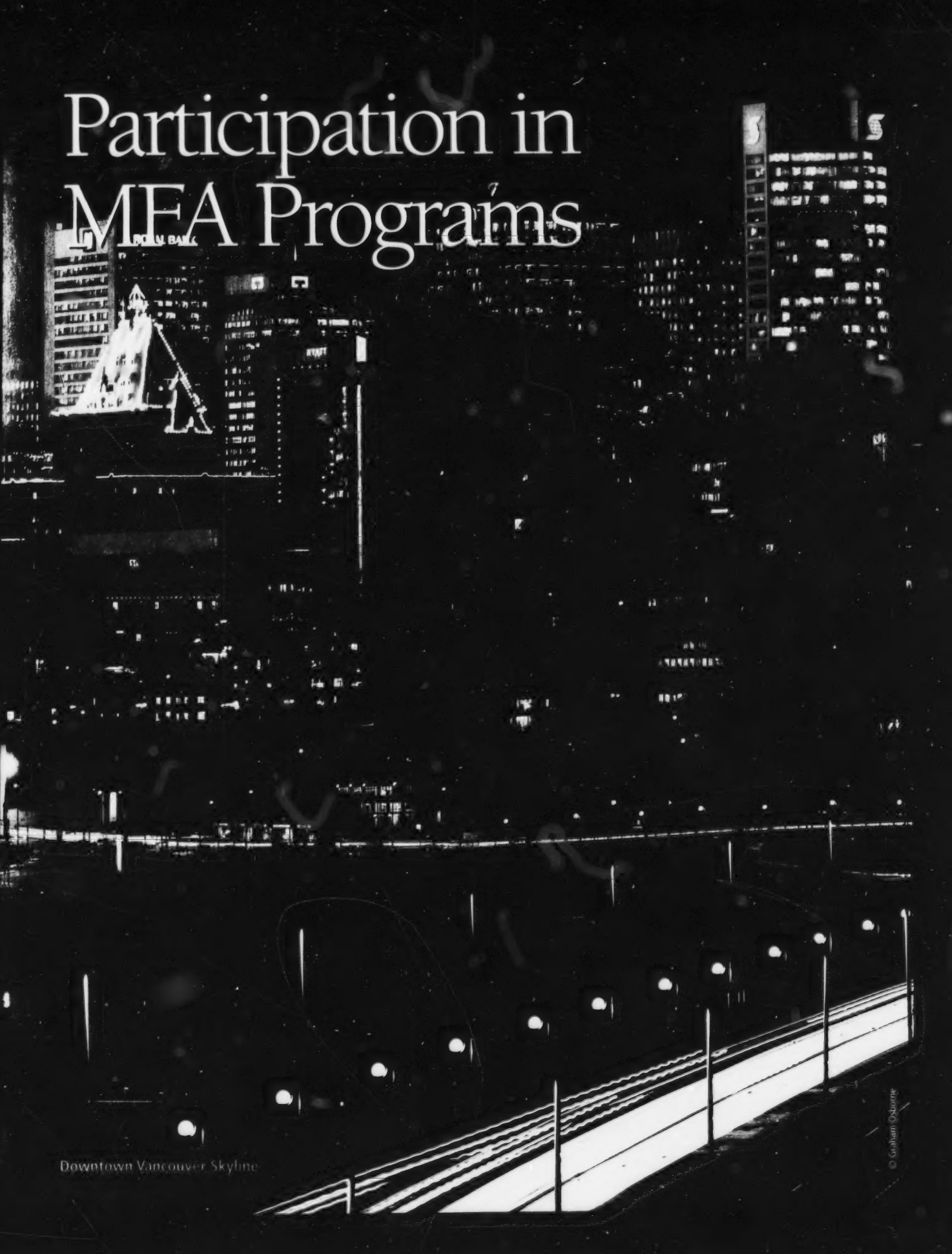
The purpose of this page is to provide information and ideas to participants regarding the upcoming budget year.

ISSUE	TERM	CURRENT RATE	ANTICIPATED BLENDING RATE STARTING TODAY
50	20	10.250%	8.62%
51	20	7.421%	7.01%
53	15	9.625%	6.53%
53	20	9.625%	6.49%
54	15	8.300%	6.57%
54	20	8.300%	6.55%
54	25	8.300%	6.55%
56	15	8.000%	6.75%
56	20	8.250%	6.77%
56	25	8.500%	6.81%
58	15	8.900%	7.29%
58	20	8.950%	7.11%
58	25	8.950%	7.03%
59	15	9.470%	7.73%
59	20	9.520%	7.45%
59	25	9.520%	7.33%
60	15	8.810%	7.53%
60	20	8.880%	7.33%
60	25	8.900%	7.24%
61	15	8.000%	7.23%
61	20	8.000%	7.11%
61	25	8.000%	7.04%
63	15	7.750%	7.17%
63	20	7.750%	7.07%
63	25	7.750%	7.00%

Colin Kinsley

CHAIR, REGIONAL DISTRICT OF FRASER-FORT GEORGE

Participation in MFA Programs



Downtown Vancouver Skyline

© Graham Osborne

[ARE YOU PART OF THE GROUP?]

Did you receive a dividend from our Pooled Investment Program? Are you leasing your assets at prime less 1%? Do you have easy access to temporary funds at a rate well below prime?

Check here to see if you are part of the group that is enjoying all of these great services. If your organization is not eligible to use one of our programs, give us a call and we can explain why.

Participation in MFA Programs

PI = POOLED INVESTMENTS
IF = INTERIM FINANCING
LE = LEASING

✓ = yes = "in it"
• = no = "not in it"
n/a = not applicable or not available

Regional Districts:	PI	IF	LE
Alberni-Clayoquot	•	•	✓
Bulkley-Nechako	✓	✓	•
Capital	✓	•	✓
Cariboo	✓	✓	✓
Central Kootenay	✓	•	✓
Central Okanagan	✓	•	✓
Columbia Shuswap	✓	•	•
Comox-Strathcona	•	✓	✓
Cowichan Valley	✓	✓	✓
East Kootenay	✓	•	•
Fraser-Fort George	✓	✓	✓
Fraser Valley	•	•	✓
Greater Vancouver	•	•	✓
Kitimat-Stikine	✓	•	✓
Kootenay Boundary	✓	✓	✓
Mt. Waddington	✓	✓	✓
Nanaimo	✓	•	✓
Northern Rockies	✓	•	✓
North Okanagan	✓	✓	✓
Okanagan-Similkameen	✓	✓	✓
Peace River	✓	✓	✓
Powell River	•	✓	✓
Skeena-Queen Charlotte	✓	•	✓
Squamish-Lillooet	✓	•	✓
Sunshine Coast	✓	•	✓
Thompson-Nicola	✓	•	✓

Municipalities:	PI	IF	LE
100 Mile House	✓	•	✓
Abbotsford	✓	✓	•
Alert Bay	✓	✓	✓
Anmore	✓	•	•
Armstrong	✓	✓	✓
Ashcroft	✓	•	✓
Belcarra	✓	•	•
Bowen Island	✓	•	✓
Burnaby	✓	•	•
Burns Lake	✓	•	✓
Cache Creek	✓	•	•
Campbell River	✓	•	✓
Castlegar	✓	•	•
Central Saanich	✓	•	•
Chase	✓	•	✓
Chetwynd	✓	•	✓
Chilliwack	✓	•	•
Clinton	✓	•	✓
Coldstream	✓	•	✓
Colwood	✓	•	✓
Comox	✓	•	✓
Coquitlam	✓	•	•
Courtenay	✓	•	✓
Creston	✓	•	•
Cumberland	✓	✓	✓
Dawson Creek	✓	•	✓
Delta	•	•	✓
Duncan	✓	✓	✓
Enderby	✓	•	✓
Esquimalt	✓	✓	•
Fernie	✓	•	✓
Fort St. James	•	•	✓
Fort St. John	✓	✓	✓
Fruitvale	•	•	✓
Gibsons	✓	✓	•
Golden	✓	✓	•
Gold River	✓	•	✓
Grand Forks	•	•	✓
Granisle	✓	•	•
Greenwood	✓	•	✓
Harrison Hot Springs	•	•	✓
Hazelton	✓	•	•
Highlands	✓	•	•
Hope	✓	✓	•
Houston	✓	✓	•
Hudson's Hope	•	•	✓
Invermere	✓	•	✓
Kamloops	✓	•	•
Kaslo	✓	✓	✓
Kelowna	✓	•	•
Kent	✓	•	•
Keremeos	✓	✓	✓
Kimberley	✓	•	•
Kitimat	✓	•	•
Ladysmith	✓	✓	✓
Lake Country	✓	✓	•
Lake Cowichan	✓	•	✓
Langford	✓	✓	✓
Lillooet	✓	•	•
Lumby	✓	•	✓
Lytton	•	•	✓
Mackenzie	✓	•	•
Maple Ridge	✓	•	✓
McBride	✓	✓	✓
Merritt	✓	✓	•
Metchosin	✓	•	•
Midway	✓	•	✓
Mission	✓	•	✓
Montrose	✓	•	✓
Nakusp	✓	✓	✓
Nanaimo	✓	•	•
Nelson	✓	•	✓
New Denver	✓	•	•
New Hazelton	✓	✓	•
New Westminister	✓	•	•
North Cowichan	✓	•	✓
North Saanich	✓	•	✓
North Vancouver	✓	•	✓
Oak Bay	✓	•	✓
Oliver	✓	•	✓
Osoyoos	•	•	✓
Parksville	✓	•	•
Peachland	✓	•	✓
Pemberton	✓	✓	✓
Pitt Meadows	✓	✓	•
Port Alberni	✓	✓	✓
Port Alice	✓	•	✓
Port Coquitlam	✓	•	•
Port Edward	✓	✓	✓
Port Hardy	✓	•	✓
Port McNeill	✓	•	•
Port Moody	✓	•	✓
Pouce Coupe	✓	•	✓
Powell River	✓	•	✓
Prince George	✓	•	✓
Prince Rupert	✓	✓	✓
Princeton	✓	•	•
Qualicum Beach	✓	•	•
Quesnel	✓	✓	✓
Radium Hot Springs	✓	•	✓
Revelstoke	✓	✓	✓
Richmond	✓	•	✓
Rossland	✓	✓	✓
Saanich	✓	✓	✓
Salmo	•	•	✓
Salmon Arm	✓	✓	•
Sayward	✓	•	✓
Sechelt	✓	•	✓
Sicamous	✓	✓	✓
Sidney	✓	✓	•
Silverton	✓	•	✓

continued on next page

Municipalities (cont'd):	PI	IF	LE
Slocan	✓	•	•
Smithers	✓	✓	✓
Sparwood	✓	•	•
Squamish	•	✓	•
Stewart	✓	•	•
Summerland	✓	•	•
Surrey	✓	•	•
Tahsis	✓	•	✓
Taylor	•	•	✓
Telkwa	✓	•	✓
Terrace	✓	•	✓
Trail	✓	•	✓
Tumbler Ridge	✓	•	✓
Ucluelet	✓	✓	✓
Valemount	✓	•	✓
Vanderhoof	•	•	✓
Vernon	✓	•	•
Victoria	✓	•	•
View Royal	✓	•	•
Warfield	•	✓	✓
Wells	•	•	✓
West Vancouver	✓	•	•
Whistler	✓	•	✓
White Rock	✓	✓	•
Williams Lake	✓	•	✓
Zeballos	✓	•	✓

First Nations:	PI	IF	LE
Adams Lake Indian Band	✓	n/a	n/a
Chawathil Indian Band	✓	n/a	n/a
Chemainus First Nation	✓	n/a	n/a
Ch-ihl-kway-uhk Tribe Society	✓	n/a	n/a
Kamloops Indian Band	✓	n/a	n/a
Kwaw Kwaw Pilt Band	✓	n/a	n/a
Matsqui indian Band	✓	n/a	n/a
Millbrook First Nation	✓	n/a	n/a
Namgis First Nation	✓	n/a	n/a
Old Massett Village Council	✓	n/a	n/a
Seabird Island Indian Band	✓	n/a	n/a
Sliammon First Nation	✓	n/a	n/a
Songhees/Esquimalt First Nation	✓	n/a	n/a
Sto:lo Nation	✓	n/a	n/a
Tit'q'et Nation	✓	n/a	n/a
Tsawwassen First Nation	✓	n/a	n/a
Tzeacthen Indian Band	✓	n/a	n/a
Westbank First Nation	✓	n/a	n/a
Westbank First Nation Taxation	✓	n/a	n/a

Hospital/Regional Hospital Districts:	PI	IF	LE
Alberni-Clayoquot	✓	✓	n/a
Bulkley-Nechako	✓	•	n/a
Capital	✓	✓	n/a
Cariboo	✓	•	n/a
Central Kootenay	•	✓	n/a
Central Okanagan	•	✓	n/a
Chase Diagnostic & Treatment Centre	✓	•	n/a
Chemainus Health Care Centre	✓	•	n/a
Children's and Women's Health Centre of BC	✓	•	n/a
Comox-Strathcona	•	✓	n/a
Delta Centennial Hospital	✓	•	n/a
East Kootenay	✓	•	n/a
Fraser Fort George	✓	✓	n/a
Kelowna General Hospital Foundation	✓	•	n/a
Kootenay East	✓	✓	n/a
Lillooet District Hospital Society	✓	•	n/a
Mater Misericordiae Health Care Facility	✓	•	n/a
Mt. Waddington	•	✓	n/a
Nanaimo	✓	✓	n/a
North Okanagan	•	✓	n/a
North Okanagan Health Regional – Shuswap Health Service	✓	•	n/a
Northwest	•	✓	n/a
Okanagan-Similkameen	•	✓	n/a
Okanagan-Similkameen Health Region	✓	•	n/a
Peace Liard	✓	•	n/a
Peace Lutheran Care Centre	✓	•	n/a
Peace River	✓	✓	n/a
Skeena-Queen Charlotte	•	✓	n/a
Sparwood General Hospital	✓	•	n/a
Sparwood General Hospital Foundation Society	✓	•	n/a
Stuart-Nechako	✓	•	n/a
Sunshine Coast	✓	•	n/a
Terrace and Area Health Council	✓	•	n/a
Thompson	✓	✓	n/a
Thompson-Nicola	✓	✓	n/a
Vernon Jubilee Hospital Society	✓	•	n/a
West Kootenay-Boundary	•	✓	n/a

Others:	PI	IF	LE
Association of Kootenay & Boundary Municipalities	✓	n/a	n/a
Association of Yukon Communities	✓	n/a	n/a
Barriere Improvement District	✓	n/a	n/a
Capital Regional Housing Corporation	✓	n/a	n/a
Carmacks, Yukon	✓	n/a	n/a
Columbia Basin Trust	✓	n/a	n/a
Fraser Basin Council Society	✓	n/a	n/a
Fraser Valley Regional Library	✓	n/a	n/a
Grand Forks Irrigation District	✓	n/a	n/a
Hedley Improvement District	✓	n/a	n/a
Iroquois Falls, Ontario	n/a	n/a	✓
Mt. Parke Estates Improvement District	✓	n/a	n/a
Municipal Commercial Vehicle Licence	✓	n/a	n/a
Municipal Finance Authority of British Columbia	✓	✓	•
Municipal Insurance Association	✓	n/a	n/a
Municipal Officers' Association (LGMA) Investment Fund	✓	n/a	n/a
Naramata Water System	✓	n/a	n/a
Nootka Sound Economic Development Corp.	✓	n/a	n/a
North Central Municipal Association	✓	n/a	n/a
North Peace Airport Society	✓	n/a	n/a
Port Alberni Harbour Commission	✓	n/a	n/a
Shawnigan Improvement District	✓	n/a	n/a
South East Kelowna Irrigation District	✓	n/a	n/a
Union of BC Municipalities	✓	n/a	n/a
Vancouver Island Municipal Association	✓	n/a	n/a
Vancouver Island Regional Library	✓	n/a	n/a
Westbank Irrigation District	✓	n/a	n/a

School Districts/ Colleges/Universities:	PI	IF	LE
Capilano	•	n/a	✓
Camosun College	•	n/a	✓
College of the Rockies	✓	n/a	•
Langara	•	n/a	✓
New Caledonia	•	n/a	✓
School District #50 – Queen Charlotte	✓	n/a	n/a
School District #75 – Mission	✓	n/a	n/a
University of Northern British Columbia	✓	n/a	•

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How the Municipal Finance Authority Functions

Capital Financing

Responsibility

The Municipal Finance Authority of British Columbia was established in 1970 by the Municipal Finance Authority of British Columbia Act, Chapter 292, Revised Statutes of British Columbia, 1979.

Regional districts and municipalities in British Columbia finance through the Authority all long-term capital requirements except those met by senior levels of government. In 1995, the Greater Vancouver Water District and the Greater Vancouver Sewerage and Drainage District (utilities) joined as MFA members for purposes of capital financing.

The City of Vancouver is the only municipality in the Province which retains the right to issue its own securities to finance capital projects. Taxable land and improvements within the City of Vancouver are, nevertheless, subject to rates levied by the Municipal Finance Authority.

Representation

The province of British Columbia is divided into twenty-seven regional districts, each of which is governed by a Regional Board consisting of representatives of its member municipalities and unincorporated areas.

The members of the Municipal Finance Authority are appointed by the Regional Boards; the number of members to which a regional district is entitled is based upon its population.

The executive and administrative powers and duties of the Authority are exercised and performed by a Board of Trustees consisting of the Chairman of the Authority and nine other members, elected annually. The Capital Regional District and the Greater Vancouver Regional District must be represented on the Board of Trustees.

Funding

When the municipalities, the utilities and TransLink, through their respective regional districts, and the regional hospital districts and the regional districts on their own behalf (collectively known as the members), wish to finance their capital projects, they present their approved requests to the Municipal Finance Authority.

Taking into account market and economic conditions pertaining, the members of the Authority may authorize the issue and sale of securities in an amount sufficient to meet the requests.

Securities of the Authority, the proceeds of which are not to exceed the amount authorized, may then be issued at such rates and pursuant to such terms and conditions and in such markets and currencies as the Board of Trustees may determine. Under the Act, the Authority has the power to provide for the creation, management and application of sinking funds or other means of securing the repayment of securities issued by the Authority, including the redemption by call of securities issued subject to redemption in advance of maturity.

A separate account is maintained for each sinking fund securities issue and monies at the credit of a sinking fund which cannot be immediately applied toward paying the debt or discharging the obligation may be invested in:

a) securities of the government of Canada or a province of Canada, or
b) securities, the principal and interest of which are guaranteed by the government of Canada or by a province of Canada, or
c) securities of a municipality or regional district in British Columbia, or of a local, municipal or regional government in another province of Canada, maturing not later than the securities for which the sinking fund was created, or
d) investments guaranteed by a Canadian chartered bank, or
e) deposits in, or shares or other evidences of indebtedness of, a credit union incorporated under the British Columbia Credit Union Act, or
f) securities of the Municipal Finance Authority of British Columbia maturing not later than the securities for which the sinking fund was created.

Protection for Investors

In British Columbia, the combined credit of all the regional districts and their member municipalities, the utilities, TransLink and regional hospital districts - which together have essentially all the taxable land and improvements in the Province – stands behind the Authority's obligations.

In addition, the Authority has established a debt reserve fund

into which each member sharing in the proceeds of a securities issue having a term to maturity of five years or over must contribute an amount equal to one-half the average annual instalment of principal and interest for repayment of the issue; such amount is payable to the Authority at the time of issue either in full or in an amount equal to one percent of the principal amount borrowed (TransLink contributes two percent) with the balance secured by a non-interest bearing demand note of the regional district or regional hospital district issued to the Authority. Monies paid into the debt reserve fund, and interest earned thereon, are obligations of the Authority to its members and must be refunded to them when the final instalments of their loans have been repaid. However, where a municipality, utility, or TransLink has discharged its obligation to a regional district with respect to a securities issue, the Authority may, during the term of the issue, repay to the regional district for the credit of the municipality, utility, or TransLink a portion of the money which is an obligation to the regional district and the money so paid shall be applied to reduce that obligation.

If, at any time, the Authority lacks sufficient funds to meet principal, interest or sinking fund payments due on its obligations, it must utilize the debt reserve fund, all or any part of which is available to satisfy the Authority's obligations, regardless of the sources of the money in the fund. In the event that payments are made from the debt reserve fund, the Authority will recover such payments from the regional districts and regional hospital districts involved in order to restore the debt reserve fund. If the Trustees are of the opinion that payments made from the debt reserve fund will not be recovered within a reasonable period, they will levy upon all taxable land and improvements in the Province a tax sufficient to restore the fund to its required amount. It is mandatory for the Trustees to levy such a tax when the balance in the debt reserve fund is less than fifty percent of the amount that would have been in the fund had no such payments been made. The Trustees' power to impose taxes does not require the permission or approval of any other governmental authority. Pending the receipt of such taxes, the Authority may borrow an equivalent amount to meet its obligations.

The provincial government has undertaken to assure that the debt reserve fund will be maintained in accordance with the Municipal Finance Authority Act and the Inspector of Municipalities may inspect the fund from time to time and issue a certificate that is has been maintained at the proper level.

Monies in the debt reserve fund may be invested in:

a) securities of the government of Canada or a province of Canada, or
b) securities, the principal and interest of which are guaranteed by the government of Canada or a province of Canada, or
c) deposits in, or investments guaranteed by a Canadian chartered bank, or
d) deposits in, or shares or other evidences of indebtedness of, a credit union incorporated under the British Columbia Credit Union Act.

Such investments must mature or be callable within five years and at least twenty-five percent of the fund must be callable within ninety days.

Additional protection for investors

The members financing through the Municipal Finance Authority must obtain the same provincial approvals as would be required if they were issuing their own securities. In this way, all the safeguards imposed by the Provincial Legislature on the incurring of indebtedness by the members are retained. Such safeguards include the requirement that the Inspector of Municipalities or the Ministry of Health approve the debt and user charges, if any, and other taxes to service the debt. In addition, sewer and water projects require the issuance of a certificate of self-liquidation by the Inspector of Municipalities.

Limitations on the borrowing power of a member for each function may be specified in its letters patent. The total indebtedness which a municipality may contract is limited to a percentage of the assessed value for general municipal purposes of the taxable land and improvements within the municipality and the value of the utility systems and other municipal enterprises for which the municipality has a subsisting certificate of self-liquidation granted by the Inspector of Municipalities.

How the Municipal Finance Authority Functions

Pooled Investments

Organization

The Municipal Finance Authority Act was amended in 1988 to extend the objects of the Authority to provide short term investment opportunity for regional districts and municipalities in British Columbia by the establishment and operation of pooled investment funds.

In 1992, the Act was further amended to extend the investment opportunity program to other public institutions (as defined) in the Province of British Columbia.

Three funds have been established, two funds commencing operations in May, 1989, while the third fund commenced operations in 1994.

Participation

Participation in the funds by public institutions is voluntary.

Investment activities

The investment activities of the funds are governed by the Municipal Finance Authority Act and a charter of investment policies, objectives and guidelines.

Interim Financing

Organization

In 1990, the Municipal Finance Authority Act was amended to add Interim Financing for regional districts and municipalities to the objects of the Authority.

In 1992, the Act was further amended to extend the Interim Financing program to other public institutions (as defined) in the Province of British Columbia

The Interim Financing Fund was established and commenced operations in December, 1990.

Participation

Participation in the Interim Financing program by public institutions is voluntary.

Purposes for which interim financing may be provided

The Authority may provide financing for one or more of the following purposes:

a) temporary financing of capital projects
b) short term capital borrowing up to 5 years
c) revenue anticipation borrowing
d) temporary financing to meet current operating expenditures

Pooled Leasing

Organization

In 1995, the Municipal Finance Authority combined Pooled Leasing with Interim Financing. The Authority is authorized to finance short term debt for purposes of a capital nature including leasing.

Purposes for which leasing may be provided

All commonly leased assets from office equipment to rolling stock are eligible under the program.

Participation

Participation in the program by municipalities and regional districts is voluntary. The program is now available to colleges and universities and may also soon be made available to school districts and hospitals.

Auditors' Report 2000

To the Members of the Municipal Finance Authority of British Columbia

We have audited the balance sheets of the Debt Fund, Capital Repayment Equalization Fund, Debt Reserve Fund, Operating Fund and Market Development Fund (collectively, the "Capital Financing Funds") of the Municipal Finance Authority of British Columbia (the "Authority") and the combined balance sheet of these Funds as at December 31, 2000, the statements of revenue, expenditure and surplus and cash flows of each of these Funds and the combined statements of revenue, expenditure and surplus and cash flows of these Funds for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Capital Financing Funds of the Authority as at December 31, 2000, and the results of their operations and their cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

CHARTERED ACCOUNTANTS

Victoria, British Columbia, Canada
February 5, 2001

Balance Sheets

December 31, 2000 – with comparative figures for 1999

Thousands of Dollars

	COMBINED		DEBT FUND	
	2000	1999	**2000**	1999
ASSETS				
Loans to Members (Note 2) (Schedule page F23)	**$2,714,849**	2,702,045	**2,714,849**	2,702,045
Investments, net of holdings of the Authority (Note 3)	**1,059,689**	990,838	**–**	**–**
Investments in sinking funds (Note 4)	**10,265**	27,802	**10,265**	27,802
Sinking fund assets in excess of related debt (Note 4)	**25,727**	24,587	**25,727**	24,587
Accrued interest and other receivables	**94,044**	74,166	**51,344**	50,743
Demand notes receivable from Members, without interest	**180,353**	185,938	**–**	**–**
Unamortized issue, discount, refunding and exchange costs	**42,863**	29,506	**42,863**	29,506
Cash	**7,141**	14,319	**12**	675
Capital assets (Note 5)	**904**	929	**–**	**–**
Due from Debt Fund	**–**	**–**	**–**	**–**
Due from Capital Repayment Equalization Fund	**–**	**–**	**630,594**	541,409
Due from Operating Fund	**–**	**–**	**–**	**–**
	$4,135,835	4,050,130	**3,475,654**	3,376,767
LIABILITIES, EQUITY AND SURPLUS				
Liabilities:				
Long-term debt (Note 6) (Schedule page F20)	**$3,235,022**	3,123,290	**3,274,325**	3,176,964
Due to Members (Note 7)	**270,062**	280,862	**–**	**–**
Accounts payable, unpresented matured debt and accrued interest payable (Note 8)	**63,556**	67,494	**63,208**	67,091
Due to sinking and other funds (Note 9)	**75,315**	74,004	**75,315**	74,004
Due to Debt Fund	**–**	**–**	**–**	**–**
Due to Operating Fund	**–**	**–**	**39**	19
Due to Market Development Fund	**–**	**–**	**–**	**–**
Due to Forest Renewal BC	**10,082**	10,118	**–**	**–**
Total liabilities	**3,654,037**	3,555,768	**3,412,887**	3,318,078
Equity in capital assets (Note 5)	**904**	929	**–**	**–**
Surplus	**480,894**	493,433	**62,767**	58,689
	$4,135,835	4,050,130	**3,475,654**	3,376,767

SECRETARY-TREASURER

CAPITAL REPAYMENT EQUALIZATION FUND		DEBT RESERVE FUND		OPERATING FUND		MARKET DEVELOPMENT FUND	
2000	1999	**2000**	1999	**2000**	1999	**2000**	1999
–	–	–	–	–	–	–	–
1,001,142	942,585	**87,768**	91,809	**10,082**	10,118	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
41,403	22,327	**1,079**	862	**218**	234	–	–
–	–	**180,353**	185,938	–	–	–	–
–	–	–	–	–	–	–	–
5,275	10,895	**890**	2,291	**964**	458	–	–
–	–	–	–	**904**	929	–	–
–	–	–	–	**39**	19	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	**1**	1
1,047,820	975,807	**270,090**	280,900	**12,207**	11,758	**1**	1
–	–	–	–	–	–	–	–
–	–	**270,062**	280,862	–	–	–	–
–	–	**28**	38	**320**	365	–	–
–	–	–	–	–	–	–	–
630,594	541,409	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	**1**	1	–	–
–	–	–	–	**10,082**	10,118	–	–
630,594	541,409	**270,090**	280,900	**10,403**	10,484	–	–
–	–	–	–	**904**	929	–	–
417,226	434,398	–	–	**900**	345	**1**	1
1,047,820	975,807	**270,090**	280,900	**12,207**	11,758	**1**	1

See Accompanying Notes to Financial Statements

Statements of Revenue, Expenditure and Surplus

Year Ended December 31, 2000 – with comparative figures for 1999

Thousands of dollars

	COMBINED		DEBT FUND	
	2000	1999	**2000**	1999
REVENUE				
Interest from loans to Members	**$255,920**	242,654	**–**	–
Principal from loans to Members	**–**	–	**–**	–
Transfers of Interest from Capital Repayment Equalization Fund	**–**	–	**261,140**	263,768
Investment income	**69,317**	61,383	**2,506**	4,463
Management fees	**696**	669	**–**	–
Recoveries from new issues	**429**	434	**–**	–
Operating levy	**100**	101	**–**	–
Transfers from Operating Fund	**–**	–	**–**	–
Other – unused new issue expenses	**6**	66	**–**	–
Total revenue	**326,468**	305,307	**263,646**	268,231
EXPENDITURE				
Interest on Long-term debt	**251,761**	259,190	**251,761**	259,190
Transfers to Debt Fund – principal from Members	**–**	–	**–**	–
Transfers to Debt Fund – interest	**–**	–	**–**	–
Amortization of issue, discount, refunding and exchange costs	**7,764**	5,569	**7,764**	5,569
Administrative	**1,451**	1,360	**–**	–
Management fees	**–**	–	**43**	75
Transfers to Market Development Fund	**–**	–	**–**	–
Allocation of net earnings to Members	**3,404**	3,119	**–**	–
Debt management and marketing	**267**	372	**–**	–
Total expenditure	**264,647**	269,610	**259,568**	264,834
Excess of revenue over expenditure for the year	**61,821**	35,697	**4,078**	3,397
Surplus at beginning of the year	**493,433**	414,294	**58,689**	56,515
Surplus on debt issues transferred from Province	**–**	63,814	**–**	–
Allocations to Members (Note 11)	**(74,110)**	(19,604)	**–**	(1,223)
Appropriation of surplus to capital expenditure	**–**	(518)	**–**	–
Dividends paid	**(250)**	(250)	**–**	–
Surplus at the end of the year	**$480,894**	493,433	**62,767**	58,689

CAPITAL REPAYMENT EQUALIZATION FUND		DEBT RESERVE FUND		OPERATING FUND		MARKET DEVELOPMENT FUND	
2000	1999	**2000**	1999	**2000**	1999	**2000**	1999
255,920	242,654	–	–	–	–	–	–
167,490	192,824	–	–	–	–	–	–
–	–	–	–	–	–	–	–
63,118	53,492	**3,601**	3,360	**92**	68	–	–
–	–	–	–	**1,785**	1,635	–	–
–	–	–	–	**429**	434	–	–
–	–	–	–	**100**	101	–	–
–	–	–	–	–	–	**150**	150
–	–	**6**	66	–	–	–	–
486,528	**488,970**	**3,607**	3,426	**2,406**	2,238	**150**	150
–	–	–	–	–	–	–	–
167,490	**192,824**	–	–	–	–	–	–
261,140	**263,768**	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	**1,451**	1,360	–	–
960	**806**	**86**	85	–	–	–	–
–	–	–	–	**150**	150	–	–
–	–	**3,404**	3,119	–	–	–	–
–	–	**117**	222	–	–	**150**	150
429,590	**457,398**	**3,607**	3,426	**1,601**	1,510	**150**	150
56,938	**31,572**	–	–	**805**	728	–	–
434,398	**357,393**	–	–	**345**	385	**1**	1
–	**63,814**	–	–	–	–	–	–
(74,110)	**(18,381)**	–	–	–	–	–	–
–	–	–	–	–	(518)	–	–
–	–	–	–	**(250)**	(250)	–	–
417,226	**434,398**	–	–	**900**	345	**1**	1

See Accompanying Notes to Financial Statements

Statements of Cash Flows

Year Ended December 31, 2000 – with comparative figures for 1999

Thousands of dollars

	COMBINED		DEBT FUND	
	2000	1999	**2000**	1999
OPERATING ACTIVITIES				
Excess of revenue over expenditure for the year	**$61,821**	35,697	**4,078**	3,397
Non-cash items:				
Loss on disposals of investments	**3,169**	2,004	**2**	4
Accretion of (discounts) premiums on investments	**(27,329)**	(24,485)	**(1,483)**	(2,460)
Amortization of issue, discount, refunding and exchange costs	**7,764**	5,569	**7,764**	5,569
Allocations of net earnings to Members	**3,404**	3,119	**–**	–
Depreciation on building	**25**	25	**–**	–
Surplus on debt issues transferred from Province	**–**	63,814	**–**	–
Allocations of surplus payments to members	**(74,110)**	(10,974)	**–**	–
Interfund tranfers	**–**	–	**(12,159)**	(12,040)
Changes in accrued interest and other receivables	**(16,295)**	(29,439)	**(2,984)**	(16,766)
Changes in accounts payable, unpresented matured debt and accrued interest payable	**(4,058)**	26,260	**(3,969)**	26,080
Cash provided by (applied to) operating activities	**(45,609)**	71,590	**(2,783)**	3,784
INVESTING ACTIVITIES				
Investments sold or matured	**632,900**	588,896	**29,241**	26,695
Investments purchased	**(646,818)**	(875,934)	**(11,361)**	(5,406)
Cash provided by (applied to) investing activities	**(13,918)**	(287,038)	**17,880**	21,289
FINANCING ACTIVITIES	**–**	–	**–**	–
New debt issued	**286,122**	360,000	**286,122**	360,000
Debt assumed from Province of BC	**–**	716,759	**–**	716,759
Loan repayments from Members	**226,081**	201,930	**226,081**	201,930
New loans to Members	**(242,473)**	(921,302)	**(242,473)**	(921,302)
Debt retired	**(188,675)**	(169,483)	**(188,675)**	(169,483)
(Increase) in unamortized issue, discount, refunding and exchange costs	**(21,122)**	(19,300)	**(21,122)**	(19,300)
Increase (decrease) in loans from sinking and other funds	**1,286**	37,424	**1,311**	38,011
Changes in interfund balances	**–**	–	**(77,004)**	(231,109)
Contributions from Members for new loans	**3,325**	16,429	**–**	–
Contributions and earnings thereon refunded to Members	**(11,945)**	(4,940)	**–**	–
Dividends paid	**(250)**	(250)	**–**	–
Cash provided by (applied to) financing activities	**52,349**	217,267	**(15,760)**	(24,494)
Increase (decrease) in cash for the year	**(7,178)**	1,819	**(663)**	579
Cash, beginning of the year	**14,319**	12,500	**675**	96
Cash, end of the year	**$7,141**	14,319	**12**	675

CAPITAL REPAYMENT EQUALIZATION FUND		DEBT RESERVE FUND		OPERATING FUND		MARKET DEVELOPMENT FUND	
2000	1999	**2000**	1999	**2000**	1999	**2000**	1999
56,938	31,572	–	–	**805**	728	–	–
1,514	677	**1,653**	1,323	–	–	–	–
(25,506)	(22,318)	**(340)**	293	–	–	–	–
–	–	–	–	–	–	–	–
–	–	**3,404**	3,119	–	–	–	–
–	–	–	–	**25**	25	–	–
–	63,814	–	–	–	–	–	–
(74,110)	(10,974)	–	–	–	–	–	–
12,159	11,990	–	–	–	50	–	–
(19,076)	(12,840)	**(216)**	213	**13**	(46)	–	–
–	–	–	–	–	–	–	–
–	–	**(9)**	37	**(80)**	143	–	–
(48,081)	61,921	**4,492**	4,985	**763**	900	–	–
316,986	406,931	**286,088**	154,498	**585**	772	–	–
(351,549)	(700,298)	**(283,361)**	(169,482)	**(547)**	(748)	–	–
(34,563)	(293,367)	**2,727**	(14,984)	**38**	24	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	**(25)**	(587)	–	–
77,024	231,146	–	–	**(20)**	(37)	–	–
–	–	**3,325**	16,429	–	–	–	–
–	–	**(11,945)**	(4,940)	–	–	–	–
–	–	–	–	**(250)**	(250)	–	–
77,024	231,146	**(8,620)**	11,489	**(295)**	(874)	–	–
(5,620)	(300)	**(1,401)**	1,490	**506**	50	–	–
10,895	11,195	**2,291**	801	**458**	408		
5,275	10,895	**890**	2,291	**964**	458	–	–

See Accompanying Notes to Financial Statements

Notes to Financial Statements – All Funds

December 31, 2000

1 Summary of Significant Accounting Policies

The Municipal Finance Authority of British Columbia (the "Authority"), operates under the Municipal Finance Authority Act (the "Act") as the central borrowing agency for the financing of capital requirements of regional districts and their member municipalities, regional hospital districts and special purpose other municipal bodies (collectively the "members"). The Authority issues its own securities and lends the proceeds to its members on whose request the financing is undertaken. Obligations of the Authority are not obligations of the Province of British Columbia and are not guaranteed, directly or indirectly, by the Province. The Authority may annually impose rates not exceeding prescribed amounts on all taxable land and improvements in the Province to meet the annual operating budget. Additional rates will be levied if the trustees are of the opinion that debt payments may not be recovered within a reasonable time under loan agreements with its members.

The accompanying financial statements reflect the capital financing and general operations of the Authority. Other activities, including the maintenance of pooled investment funds and the Interim Financing and Leasing Funds are reported separately by the Authority.

The financial statements of the Authority have been prepared by management in accordance with Canadian generally accepted accounting principles. The Authority maintains its accounts according to the principles of fund accounting by which financial resources are segregated for specific activities or to attain certain objectives. Five funds are maintained within the Capital Financing division.

A brief description of each of the capital financing funds and its purpose is as follows:

OPERATING FUND

The Act provides for the establishment of an Operating Fund to meet the annual operating budget. In addition to the administration of the Capital Financing activities, the Operating Fund receives management fees from the Pooled Investment Fund and the Interim Financing and Leasing Funds and pays the cost of their operations.

The Authority manages funds on behalf of Forest Renewal BC for funding Community Bonds. The funds are held in the Pooled Investment Fund and the interest is drawn down quarterly and remitted to Forest Renewal BC.

DEBT FUND

The Authority's financing activities on behalf of its members are recorded in the Debt Fund.

CAPITAL REPAYMENT EQUALIZATION FUND

The Capital Repayment Equalization Fund is a repository for repayments from its members under their loan agreements in advance of the Authority's requirements on its related indebtedness. Transfers, not exceeding the amount due in respect of each debt issue, are made to the Debt Fund to meet the Authority's obligations when due.

DEBT RESERVE FUND

Under the Act, the Authority must establish a Debt Reserve Fund. Each member sharing in the proceeds of a securities issue is required to pay into the Debt Reserve Fund an amount equal to one-half the average annual installment of principal and interest in respect of its own borrowing together with one-half the average annual installment of principal and interest as set out in the agreements entered into with the regional district by member municipalities, utilities and TransLink in respect of their borrowings; such amount is payable either in full or in an amount equal to 1% (for TransLink, 2%) of the principal amount borrowed with the balance secured by a non-interest bearing demand note.

If, at any time, the Authority does not have sufficient funds to meet debt payments or sinking fund contributions due on its obligations, the payments or sinking fund contributions shall be made from the Debt Reserve Fund.

MARKET DEVELOPMENT FUND

The development of markets for the Authority's services is segregated in the Market Development Fund which is funded by transfers from the Operating Fund.

In addition, the financial statements have been prepared within the framework of the following accounting policies:

SURPLUS

The surplus balances of the Debt Fund and the Capital Equalization Repayment Fund represent undistributed actual earnings on investments in excess of budget actuarial earnings, and are due to the members once the debt is repaid. The amount of surplus reallocated to members is disclosed in the statement of revenue, expenditure and surplus.

Under the Act, the Authority may appropriate prior year's operating surpluses for current operations.

INCOME RECOGNITION

The annual operating levy is recognized as revenue in the Operating Fund when the rates have been set by the Authority in March of each year. It is collected on behalf of the Authority by the municipalities in the Province and the Provincial Surveyor of Taxes and is payable to the Authority on August 1 each year.

INTEREST ACCRUALS

Interest is accrued using the guidelines of Canadian generally accepted accounting principles.

AMORTIZATION OF ISSUE, DISCOUNT, REFUNDING AND EXCHANGE COSTS

Issue, discount, refunding and exchange costs are amortized on a straight-line basis over the average lives of the securities issues to which they relate.

FOREIGN CURRENCY TRANSACTIONS

The loans receivable and long-term debt payable in U.S. dollars are restated in Canadian dollars, in accordance with Canadian generally accepted accounting principles.

Foreign exchange exposure is fully hedged by virtue of contractual arrangements with the members on whose behalf the financing is undertaken and/or by the application of certain sections of the Act which, essentially, provide that all monetary risks, including foreign currency risks, are obligations of the members.

The Authority has arranged various re-funding of U.S. denominated debt into Canadian dollars. The exchange amounts incurred on the refinancing are presented as unamortized exchange costs and amortized over the average remaining terms of the new issue.

INVESTMENTS

The investment purchase and trading policy of the Authority is to match the maturity of its investments with the applicable obligation dates of its debt.

Securities purchased with the intention of holding to maturity or until market conditions, such as a change in interest rates, provide a better investment opportunity are recorded at cost, adjusted for amortization of premiums and accretion of discounts on an effective yield basis. Any gains and losses on the disposal of investment securities are recorded in the Statement of Revenue and Expenditure in the year they occur.

Securities may be purchased for investment return and may be either shorter or longer term. Such securities are also recorded at cost, adjusted for amortization of premiums and accretion of discounts on an effective yield basis. When the market value of trading securities declines below carrying value and such decline in value is considered other than temporary, these securities are written down to market. Write-downs to market and any gains and losses on the sale of these securities are recorded in the Statement of Revenue and Expenditure in the year they occur.

SINKING FUNDS

The Sinking Fund investments are unique. They relate to two debenture issues from the 1970s that under the terms of issuance, the Authority had a legal obligation to put aside a stipulated amount of monies each year, which would grow to cover the debt at maturity. All subsequent debt issues do not have this stipulation and are recorded in the Capital Repayment Equalization Fund.

Under the Act, obligations of the Authority purchased for a sinking fund account together with interest, premium, or exchange derived from them shall be held to the credit of that sinking fund account but may be resold. However, securities purchased in anticipation of mandatory annual redemptions for sinking fund purposes are cancelled immediately in accordance with the terms of such issues.

CAPITAL ASSETS

Capital assets are stated at cost. Amortization is provided on a straight line basis over 40 years.

2 Loans to members

Under the Act, each member sharing in the proceeds of a securities issue must pay over to the Authority such sums as are required to discharge its obligations to the Authority in respect to such securities issue, but if the scheduled payments provided for under the loan agreement are not sufficient to meet the Authority's obligations in respect of that securities issue, the deficiency is a liability of the member to the Authority.

The aggregate principal payments recoverable from the members in each of the next five years (excluding principal payments suspended as outlined below) are as follows:

Thousands of dollars	2000	1999
2000	$ –	147,493
2001	**145,165**	138,916
2002	**160,816**	139,031
2003	**152,698**	131,159
2004	**135,836**	114,479
2005	**130,552**	–

When the Authority, under the Section 12(1) of the Act and with the approval of the Inspector of Municipalities, has determined that the amount of the assets in the sinking fund and/or the Capital Repayment Equalization Fund together with the anticipated earnings for that fund is greater than the amount which will be required to repay the debt or discharge the obligation and has declared that there is an anticipated surplus in the fund of a specified amount, the scheduled future payments of both principal and interest from the members under the related loan agreements are suspended.

Loans to members include $24,067,463 (1999 – $34,295,381) which are denominated in U.S. dollars. The difference between loans receivable of U.S. $24,067,463 (1999 – $34,295,381) and loans payable in U.S. dollars of $1,252,000 (1999 – $1,599,000) results from various re-fundings of U.S. denominated debt into Canadian dollars. The loans to members under these re-fundings have remained in U.S. dollars.

For financial statement presentation, both the loans receivable from the members in U.S. dollars, and the U.S. denominated debt have been restated in Canadian Dollars at the appropriate exchange rate.

3 Investments

Investments consist of securities of:

		2000	1999
Thousands of dollars	**Par Value**	**Book Value**	Book Value
CAPITAL REPAYMENT EQUALIZATION FUND			
Government of Canada, direct or guaranteed	**$236,747**	**193,405**	223,103
Provincial governments, direct or guaranteed	**334,661**	**238,534**	208,872
Chartered banks, direct or guaranteed	**556,347**	**494,965**	422,615
Credit Unions in the Province	**14,521**	**14,172**	17,726
Regional and municipal governments	**20,759**	**20,763**	16,595
The Authority - Pooled Investments	–		–
	1,163,035	**961,839**	888,911
The Authority	**38,270**	**39,303**	53,674
	$1,201,305	**1,001,142**	942,585
DEBT RESERVE FUND			
Government of Canada, direct or guaranteed	**$52,406**	**51,718**	52,489
Provincial governments, direct or guaranteed	**31,945**	**17,910**	26,797
Chartered banks, direct or guaranteed	**18,105**	**18,140**	12,523
	$102,456	**87,768**	91,809
OPERATING FUND			
The Authority - Pooled Investments	**$10,082**	**10,082**	10,118
Total, all funds	**$1,313,843**	**1,098,992**	1,044,512
Less investments held by the Authority	**38,270**	**39,303**	53,674
COMBINED TOTAL	**$1,275,573**	**1,059,689**	990,838

4 Investments in Sinking Funds

The annual deposits to the sinking funds for securities issues payable in Canadian dollars are based on an expected earnings rate of 5% per annum, capitalized yearly.

The assets and the surpluses of the sinking funds are as follows:

Thousands of dollars	2000 Par Value	2000 Book Value	1999 Book Value
SECURITIES			
Government of Canada, direct or guaranteed	**$758**	**656**	3,397
Provincial governments, direct or guaranteed	**5,404**	**4,777**	15,211
Chartered banks, direct or guaranteed	**28,910**	**26,411**	25,448
Credit Unions in the Province	**–**	**–**	2,165
	$35,072	**31,844**	46,221
The Authority	**3,188**	**3,525**	5,782
	$38,260	**35,369**	52,003
Cash		**473**	193
Accrued interest and other		**150**	193
Total Assets		**$35,992**	52,389
Presented on Balance Sheet as:			
Investment in sinking funds:			
Accumulated actuarial requirements for retirement of related sinking fund debt		**$8,752**	21,408
Excess of assets from non fully-funded debt issues (i)		**1,513**	6,394
		10,265	27,802
Sinking fund assets in excess of related debt (ii)		**25,727**	24,587
		$35,992	52,389

(i) These assets remain in the sinking fund to cover the applicable debt.

(ii) This excess will flow back to member borrowers. (See Note 11).

5 Capital Assets

Capital assets represent the net book value of the office property out of which the Authority operates. The property, purchased at an original cost of $998,000, is reflected in the Operating Fund.

6 Long-term debt

The aggregate long-term debt maturities and sinking fund requirements in each of the next five years are as follows (including provision for early calls by the Authority and redemptions at the option of the bondholder):

Thousands of dollars	2000	1999
2000	**$ –**	190,338
2001	**230,806**	232,173
2002	**220,791**	222,158
2003	**295,450**	304,616
2004	**171,541**	173,001
2005	**439,308**	–

Since the terms of maturities of certain of the Authority's securities issues and the related loans to the members do not coincide, refunding of a portion of such securities issues will be required in future years. Refundings over the next five years and the average interest rates on the refunded amounts, are as follows:

Thousands of dollars	Refunding	Existing Interest Rate %
2001	2,100	9.38
2002	22,700	9.63
2003	33,400	8.00
2004	44,700	8.50
2005	153,500	8.03

7 Due to Members – Debt Reserve Fund

The amounts due to the members will be repaid to them when they have made the final payment under their respective loan agreements. However, where a member has discharged its obligation to a regional district with respect to a securities issue, the Authority may repay to the regional district for the credit of the member a portion of the money which is an obligation to the regional district and the money so paid shall be applied to reduce that obligation.

If, at any time, the Authority does not have sufficient funds to meet payments or sinking fund contributions due on its obligations, the payments or sinking fund contributions must be made from the Debt Reserve Fund.

If the Trustees of the Authority are of the opinion that the payments made from the Debt Reserve Fund may not be recovered under the terms of the loan agreements within a reasonable time, they may levy or impose upon substantially all taxable land and improvements in the Province rates sufficient to maintain the Debt Reserve Fund at a level not exceeding the amount which would have been in the fund had no such payments been made. Further, the Board of Trustees must impose such rates when the balance in the fund is less than fifty percent of the amount that would have been in the fund had no such payments been made.

8 Debt Fund Accounts Payable

Debt Fund Accounts Payable, Unpresented Matured Debt and Accrued Interest Payable also includes the difference between the unscheduled early payout by various members and the book value of their liabilities to the Authority. These early payments by the Authority's members are based on the cost to the Authority of purchasing investments that will exactly match the principal and interest payments the member would have otherwise made.

9 Due to sinking and other funds

The Authority may invest sinking fund and Capital Repayment Equalization Fund monies in its own securities maturing not later than the securities for which the sinking fund or Capital Repayment Equalization Fund account was created. These investments have been offset against the related debt in the combined statements (see "Debt Fund Schedule of Long Term Debt").

10 Financial instruments

Upon maturity of certain debt issues the Authority may refinance any remaining loans receivable balances associated with those debt issues through the Authority's Interim Financing program revolving credit facility. As at December 31, 2000 the Authority had $56,632,714 (1999 – $55,322,941) of these loans outstanding subject to floating interest rates. As at December 31, 2000 this floating rate was 6.05% (1999 – 5.25%) while the related relending of these funds to its members ranged from 5.49% to 6.50% (1999 – 5.50% to 6.90%). During the year interest in the amount of $3,245,265 (1999 – $1,418,636) was paid to the Interim Financing Fund on these loans.

The Authority has entered into certain financial agreements with third party financial institutions whereby the Authority will make periodic principal payments in exchange for future cash repayments from the financial institutions. As at December 31, 2000 the future value of these contracts is $391,589,000 (1999 – $398,870,000) while related principal payments by the Authority towards those agreements is $83,347,000 (1999 – $42,642,000).

The carrying values of cash, interest receivable and accounts payable approximate their fair value due to the relatively short periods to maturity of the instruments.

The fair market values of other financial assets and liabilities included in the combined balance sheet at carrying amount are as follows:

Thousands of dollars	2000 Carrying Amount	2000 Fair Market Value	1999 Carrying Amount	1999 Fair Market Value
INVESTMENTS				
Capital Repayment Equalization Fund	**$1,001,142**	**992,561**	942,585	887,649
Debt Reserve Fund	**87,768**	**87,740**	91,809	87,854
Sinking Funds	**35,369**	**33,230**	52,003	50,550
Loans to Members	**2,714,849**	**2,825,043**	2,702,045	2,741,368
Long Term Debt	**3,274,325**	**3,443,814**	3,176,964	3,285,615

Fair values were estimated as follows:

- Investments – based on quoted market values.
- Long-term debt – prices based on yield to maturity on first call date using appropriate spreads over Canada Bonds as a benchmark.
- Loans to Members – values estimated using prices equivalent to the related long-term debt for each issue.

11 Allocations to Members

This amount is the total of surpluses earned by specific securities issues that have matured and were distributed back to the members for which the financing was undertaken. Allocations of net earnings to members, which applies to the Debt Reserve Fund is shown separately. During the year, the following surplus was allocated:

Thousands of dollars	2000	1999
Cash surplus repayments	**$18,075**	10,974
Current invoice payments forgiven	**–**	4,072
Future invoice payments forgiven	**56,035**	4,558
	$74,110	19,604

12 Supplemental cash flow information

During the year the Authority received cash payments of $258,312,000 (1999 – $231,228,000) as interest payments from members and $70,756,000 (1999 – $57,107,000) as interest on investments.

During the year the Authority made payments $250,680,000 (1999 – $236,034,000) as interest payments to bondholders and $4,313,000 (1999 – $2,813,000) as interest payments on internal loans. The amounts shown on the statements of Revenue, Expenditure and Surplus are recorded on an accrual basis and may differ from the information presented above on a cash basis.

13 Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in the preparation of the financial statements include the assumption of a 5% expected earnings rate on sinking funds, which makes up a portion of the asset "Loans to Members." (See note 4.)

14 Comparative figures

Certain 1999 comparative figures have been reclassified to conform with the financial statement presentation for the current year.

Debt Fund – Schedule of Long-Term Debt

Year Ended December 31, 2000 – with comparative figures for 1999

Thousands of dollars

ISSUE/SERIES	YEAR OF ISSUE	MATURITY DATE	INTEREST RATE PERCENT	ORIGINAL AMOUNT
PAYABLE IN CANADIAN DOLLARS:				
21	1977	December 1, 2002	9.500	7,000
A23	1978	November 15, 2003	10.000	3,265
33	1983	June 15, 2001 - 2003	12.375	63,300
37/CA	1985	June 12, 2000	12.000	21,800
38/CB	1985	December 12, 2000	11.000	15,500
A29	1986	April 29, 2001	14.000	91,362
39/EB	1986	June 2, 2001	9.375	65,500
40/CC	1986	October 23, 2003 / 2006	10.125	26,000
48/CJ	1990	May 15, 2000	11.625	77,925
49/CK	1990	October 24, 2000	11.200	21,700
50/CL	1991	May 8, 2006	10.250	46,000
53/CN	1992	May 13, 2002	9.625	55,000
54/CO	1993	January 12, 2003	8.300	57,300
55	1993	May 12, 2001 - 2003	7.750 - 8.000	15,000
55/CP	1993	May 12, 2013	8.750	50,000
56/EC	1993	November 19, 2003	7.250	98,000
58/ED	1994	May 10, 2004	8.500	91,000
60/CQ	1995	April 12, 2005	8.500	47,000
61/CR	1995	December 1, 2005	7.750	350,000
62	1995	December 1, 2000 / 2005	6.200	134
64/CS	1996	September 25, 2006	7.250	100,000
65/CT	1997	April 24, 2007	6.750	125,000
66/CU	1997	November 5, 2001 - 2006	5.000 - 5.625	75,000
66/CU	1997	November 5, 2007	5.625	60,000
68	1998	March 24, 2001 - 2007	5.250 - 5.500	86,642
68/CV	1998	March 24, 2008	5.500	336,000
70/CW	1999/2000	June 1 2009	5.250	646,000
800	1999	September 1 2004	4.750	122
			Carried Forward	2,631,550

		2000	1999	
OUTSTANDING	SINKING FUNDS	LONG-TERM DEBT, NET	LONG-TERM DEBT, NET	REFERENCES
PAYABLE IN CANADIAN DOLLARS:				
7,000	7,000	–	–	(1) (2)
3,265	3,265	–	–	(1) (2)
26,400	–	26,400	33,290	(3)
–	–	–	4,263	(2) (4)
–	–	–	15,500	(5)
91,362	–	91,362	91,362	(1)
65,500	–	65,500	65,500	(6)
26,000	–	26,000	26,000	(7)
–	–	–	77,925	(1)
–	–	–	21,700	(1)
45,980	–	45,980	45,980	(1)
55,000	–	55,000	55,000	(1)
57,300	–	57,300	57,300	(1)
5,625	–	5,625	7,725	(1)
50,000	–	50,000	50,000	(1)
98,000	–	98,000	98,000	(1)
91,000	–	91,000	91,000	(1)
45,020	–	45,020	47,000	(1) (8)
350,000	–	350,000	350,000	(1)
14	–	14	134	(9)
100,000	–	100,000	100,000	(1)
125,000	–	125,000	125,000	(1)
53,516	–	53,516	60,986	(1)
60,000	–	60,000	60,000	(1)
77,667	–	77,667	86,642	(1)
336,000	–	336,000	336,000	(1)
646,000	–	646,000	360,000	(1)
122	–	122	–	(10)
2,415,771	10,265	2,405,506	2,266,307	

Continued on next page

Debt Fund – Schedule of Long-Term Debt

Year Ended December 31, 2000 – with comparative figures for 1999

Thousands of dollars

ISSUE/SERIES	YEAR OF ISSUE	MATURITY DATE	INTEREST RATE PERCENT	ORIGINAL AMOUNT
			Brought Forward	$2,631,550
PAYABLE IN CANADIAN DOLLARS:				
502 to 628	1999	August 16, 2001 - November 30, 2015	5.250 - 17.510	297,929
703 to 715	1999	August 3, 2001 - July 15, 2009	4.560 - 15.540	418,830
902	1996	January 9, 2002	9.000	50,000
903	1996	January 9, 2012	9.500	33,000
906	1996	June 16, 2003	7.750	10,000
908	1996	December 22, 2003	7.000	10,000
909	1996	February 3, 2004	6.500	5,000
910	1996	August 29, 2001	10.150	3,500
911	1996	January 9, 2002	9.000	14,000
912	1996	January 9, 2012	9.500	24,000
915	1996	June 16, 2003	7.750	5,000
917	1996	December 22, 2003	7.000	10,000
918	1996	February 3, 2004	6.500	5,000
919	1996	February 3, 2004	6.500	20,000
920	1996	June 21, 2004	9.000	8,000
922	1996	August 16, 2004	9.125	5,000
			Payable in Canadian Dollars:	3,550,809
PAYABLE IN UNITED STATES DOLLARS:				
22	1978	June 1, 2003	9.375	4,737
				$3,555,546
Add: Foreign Exchange on conversion of U.S debt to Canadian dollars				
Total per Debt Fund				
LESS AMOUNTS HELD AS INVESTMENTS BY THE AUTHORITY:				
Capital Repayment Equalization Fund				
Net debt due to bondholders				

OUTSTANDING	SINKING FUNDS	2000 LONG-TERM DEBT, NET	1999 LONG-TERM DEBT, NET	REFERENCES
2,415,771	**10,265**	**2,405,506**	2,266,307	
PAYABLE IN CANADIAN DOLLARS:				
292,742	**–**	**292,742**	297,929	(1) (11)
361,437	**–**	**361,437**	380,568	(1) (12)
50,000	**–**	**50,000**	50,000	(1) (13)
33,000	**–**	**33,000**	33,000	(1) (13)
10,000	**–**	**10,000**	10,000	(1) (13)
10,000	**–**	**10,000**	10,000	(1) (13)
5,000	**–**	**5,000**	5,000	(1) (13)
3,500	**–**	**3,500**	3,500	(1) (13)
14,000	**–**	**14,000**	14,000	(1) (13)
24,000	**–**	**24,000**	24,000	(1) (13)
5,000	**–**	**5,000**	5,000	(1) (13)
10,000	**–**	**10,000**	10,000	(1) (13)
5,000	**–**	**5,000**	5,000	(1) (13)
20,000	**–**	**20,000**	20,000	(1) (13)
8,000	**–**	**8,000**	8,000	(1) (13)
5,000	**–**	**5,000**	5,000	(1) (13)
3,272,450	**10,265**	**3,262,185**	3,147,304	
1,252	**–**	**1,252**	1,599	(3)
3,273,702	**10,265**	**3,263,437**	3,148,903	
623		**623**	709	
3,274,325		3,264,060	3,149,612	
39,303				
3,235,022				

Debt Fund – References to Schedule of Long-Term Debt

December 31, 2000

1 Non-callable prior to maturity.

2 The sinking fund has been calculated to provide for retirement of the issue at maturity.

3 Non-callable except for sinking fund purposes.

4 Called on June 12, 2000.

5 Called on December 12, 2000.

6 Callable upon the imposition of withholding taxes at any time at 100%.

7 Callable on October 23, 2003 and thereafter at any time at 100%.

8 Five-year Canadian debenture at 8.200% due April 12, 2000, extended at holder's option to mature April 12, 2005 to pay 8.500% for last five years.

9 Five-year Community bonds at 7.500% due December 1, 2000, partially extended at holder's option to mature December 1, 2005 to pay 6.20% for the last five years.

10 Five-year Community bonds at 4.750% due September 1, 2004.

11 Debt issues, relating to the Regional Hospital Districts, transferred from Province of British Columbia, to MFA under a defeasance agreement dated March 31, 1999. The debt outstanding remains in the name of the Province. Debt comprised of 121 debenture issues averaging $2.419 million each. Individual issue detail is not shown.

12 Debt issues, relating to TransLink, transferred from Province of British Columbia, to MFA under a defeasance agreement dated March 31, 1999. The debt outstanding remains in the name of the Province. Debt comprised of 13 debenture issues averaging $23.537 million each. Individual issue detail is not shown.

13 Debenture issues transferred from Province of British Columbia, to MFA on April 1, 1996. The debt outstanding remains in the name of the Province.

Schedule of Loans to Members 2000

Unaudited – Outstanding at December 31, 2000

Thousands of dollars (except per capita)

	PRINCIPAL OUTSTANDING DEC. 31, 1999	2000 NEW LOANS ISSUED	2000 PRINCIPAL REPAID	PRINCIPAL OUTSTANDING DEC. 31, 2000	PER CAPITA
REGIONAL DISTRICTS					
Alberni-Clayoquot	$9,426	11,065	779	**19,711**	590
Bulkley-Nechako	9,421	203	990	**8,633**	191
Capital	230,081	25,756	19,909	**235,929**	703
Cariboo	45,254	5,240	3,349	**47,145**	645
Central Coast	409	–	8	**401**	92
Central Kootenay	25,541	8,069	2,284	**31,326**	509
Central Okanagan	85,656	4,716	4,700	**85,672**	571
Columbia Shuswap	26,181	4,025	1,581	**28,625**	547
Comox-Strathcona	97,870	12,345	7,399	**102,816**	973
Cowichan Valley	27,234	2,132	1,778	**27,588**	361
East Kootenay	47,903	3,589	4,508	**46,984**	779
Fraser-Fort George	79,153	845	5,185	**74,812**	700
Fraser Valley	143,198	120	16,448	**126,871**	530
Greater Vancouver	830,785	26,890	52,726	**804,948**	407
Kitimat-Stikine	11,318	2,044	2,093	**11,269**	242
Kootenay Boundary	16,021	964	1,373	**15,612**	455
Mt. Waddington	5,372	–	321	**5,051**	330
Nanaimo	66,191	8,973	13,202	**61,962**	468
North Okanagan	42,185	21,330	2,368	**61,148**	798
Northern Rockies	7,090	–	626	**6,464**	1,000
Okanagan-Similkameen	41,435	6,448	1,985	**45,898**	572
Peace River	68,343	750	25,093	**43,999**	729
Powell River	17,288	–	671	**16,617**	782
Skeena-Queen Charlotte	18,931	–	3,557	**15,374**	602
Squamish-Lillooet	24,678	1,075	2,511	**23,242**	657
Sunshine Coast	10,636	631	789	**10,479**	387
Thompson-Nicola	58,096	5,264	8,734	**54,625**	425
OTHER					
District of Campbell River	1,094	–	36	**1,059**	34
Greater Nanaimo Water District	15,429	–	944	**14,486**	109
E-COMM	146,316	–	8,975	**137,341**	61
TransLink	479,911	90,000	31,159	**538,752**	272
	2,688,448	242,473	226,081	**2,704,840**	674
Foreign Exchange	13,597			**10,009**	
	2,702,045			**2,714,849**	677

Ten Year Review – Combined Funds

Thousands of dollars

	2000	1999	1998
ASSETS			
Loans to Members	**$2,714,849**	2,702,045	1,988,013
Investments, net of holdings of the Authority	**1,059,689**	990,838	652,219
Investments in Sinking Funds	**10,265**	27,802	51,231
Sinking fund assets in excess of related debt	**25,727**	24,587	23,582
Accrued interest and other receivables	**94,044**	74,166	44,727
Demand notes receivable from Members	**180,353**	185,938	152,502
Unamortized issue, discounts, refunding and exchange costs	**42,863**	29,506	15,774
Cash	**7,141**	14,319	12,500
Capital assets	**904**	929	954
Due from Interim Financing and Leasing Funds	–	–	–
Total assets	**$4,135,835**	4,050,130	2,941,502
LIABILITIES, RESERVES AND SURPLUS			
Long-term debt	**$3,235,022**	3,123,290	2,206,060
Due to Members	**270,062**	280,862	232,818
Accounts payable and unpresented matured debt	**63,556**	67,494	41,234
Due to sinking and other funds	**75,315**	74,004	35,956
Due to Interim Financing and Leasing Funds	–	–	512
Due to Forest Renewal BC	**10,082**	10,118	10,142
Total liabilities	**3,654,037**	3,555,768	2,526,722
Equity in capital assets	**904**	929	486
Surplus	**480,894**	493,433	414,294
Total liabilities, reserves and surplus	**$4,135,835**	4,050,130	2,941,502
REVENUE			
Interest from loans to Members	**$255,920**	242,654	186,786
Investment income	**69,317**	61,383	56,596
Management Fees and other	**702**	735	800
Recoveries from new issues	**429**	434	255
Operating levy	**100**	101	101
Recovery of deficiencies from Members	–	–	–
Total revenue	**326,468**	305,307	244,538
EXPENDITURE			
Interest	**251,761**	259,190	189,153
Amortization of issue, discounts, refunding and exchange costs	**7,764**	5,569	5,037
Administrative	**1,451**	1,360	1,298
Debt management and marketing	**267**	372	186
Allocation of net earnings to Members	**3,404**	3,119	7,644
Total expenditure	**264,647**	269,610	203,318
Excess of revenue over expenditure for the year	**61,821**	35,697	41,220
Surplus, beginning of the year	**493,433**	414,294	418,952
Surplus on debt issues from Province	–	63,814	–
Allocations to Members	**(74,110)**	(19,604)	(45,499)
Appropriation of surplus to Capital Expenditure	–	(518)	(129)
Dividends paid	**(250)**	(250)	(250)
Surplus, end of the year	**$480,894**	493,433	414,294

1997	1996	1995	1994	1993	1992	1991
1,758,368	1,721,135	1,406,167	1,260,772	1,257,889	1,168,776	1,141,183
580,138	540,349	419,491	357,620	315,163	292,954	267,160
83,895	146,143	141,622	142,179	149,923	144,778	136,004
22,624	35,185	32,196	30,032	23,613	13,401	6,081
34,964	38,098	30,855	26,303	25,504	23,210	3,892
139,036	135,991	114,963	107,706	105,817	99,441	97,159
19,779	19,541	26,065	11,192	12,096	3,597	3,043
3,957	7,815	6,181	10,597	2,712	2,349	2,238
979	997	–	–	–	9	–
–	30	25	11	7	–	–
2,643,740	2,645,284	2,177,565	1,946,412	1,892,724	1,748,515	1,656,760
1,947,612	1,920,404	1,527,529	1,350,538	1,336,331	1,249,035	1,233,791
218,275	214,877	189,610	180,064	174,693	163,684	160,576
36,977	38,192	33,578	29,258	25,121	24,013	324
20,926	5,731	2,826	166	1,130	85	
641	747	–	100	100	14,134	–
–	–	–	–	–	–	–
2,224,431	2,174,220	1,756,448	1,562,786	1,536,411	1,451,996	1,394,776
357	250	–	–	–	–	–
418,952	470,814	421,117	383,626	356,313	296,519	261,984
2,643,740	2,645,284	2,177,565	1,946,412	1,892,724	1,748,515	1,656,760
183,374	189,919	177,120	138,208	168,104	178,369	151,024
79,605	73,577	52,641	48,906	49,306	46,878	44,658
775	756	2,097	2,992	2,940	350	1,108
255	255	110	150	115	150	119
101	105	103	105	106	110	108
–	–	–	–	–	136	236
264,110	264,612	232,071	190,361	220,571	225,993	197,253
187,714	186,172	147,347	134,822	142,454	166,349	138,682
4,688	7,638	3,945	3,662	1,960	1,723	513
1,262	1,078	957	954	783	860	661
176	227	135	159	103	8,784	411
5,368	11,299	8,248	5,451	6,097	6,342	6,859
199,208	206,414	160,632	145,048	151,397	184,058	147,126
64,902	58,198	71,439	45,313	69,174	41,935	50,127
470,814	421,117	383,626	356,313	296,519	261,984	212,018
–	20,213	–	–	–	–	–
(116,407)	(28,214)	(33,698)	(17,750)	(9,255)	(7,353)	(161)
(107)	(250)	–	–	–	–	–
(250)	(250)	(250)	(250)	(125)	(47)	–
418,952	470,814	421,117	383,626	356,313	296,519	261,984

Canadian Dollar Bonds Issued in Canada

ISSUE/SERIES	DESCRIPTION	DATED	AUTHORIZED $(000)	OUTSTANDING DECEMBER 31, 2000 $(000)	INTEREST
21	9.50% Sinking Fund Debentures due December 1, 2002	December 1, 1977	7,000	7,000	Semi-annual June 1 December 1
A23	10% Sinking Fund Debentures due November 15, 2003	November 15, 1978	3,265	3,265	Semi-annual May 15 November 15
A29	14% Bonds due April 29, 2001	April 29, 1986	91,362	91,362	Semi-annual April 29 October 29
33	12.375% Sinking Fund Debentures due June 15, 2003	June 15, 1983	63,300	26,400	Semi-annual June 15 December 15
40/CC	10.125% Debentures due October 23, 2003/2006	October 23, 1986	26,000	26,000	Semi-annual April 23 October 23
50/CL	10.25% Debentures due May 8, 2006	May 8, 1991	46,000	45,980	Semi-annual May 8 November 8
53/CN	9.625% Debentures due May 13, 2002	May 13, 1992	55,000	55,000	Semi-annual May 13 November 13
54/CO	8.300% Debentures due January 12, 2003	January 12, 1993	57,300	57,300	Semi-annual January 12 July 12
55/CP	7.750 - 8.000% Serial Debentures due May 12, 2001-2003	May 12, 1993	15,000	5,625	Semi-annual May 12 November 12
	8.750% Debentures due May 12, 2013	May 12, 1993	50,000	50,000	None

DENOMINATIONS	CALL	SINKING FUND OR MATURITIES NEXT 5 YEARS $(000)	RETRACTION OR EXTENSION	REGISTRAR AND TRANSFER AGENT
Coupon - $1,000 Coupon - $5,000 Coupon - $25,000 Fully registered $1,000 and multiples thereof. Exchangeable	Non-callable	Annual deposits 1978-2002	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Fully registered $1,000 and multiples thereof	Non-callable	Annual deposits 1979-2003	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Coupon - $1,000 Coupon - $25,000 Coupon- $100,000 Fully registered $1,000 and multiples thereof. Exchangeable	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Coupon - $1,000 Coupon - $25,000 Coupon- $100,000 Fully registered $1,000 and multiples thereof. Exchangeable	Non-callable except for sinking fund purposes	2001 - 7,740 2002 - 8,690 2003 - 9,970	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Fully registered $1,000 and multiples thereof	Callable at par on or after October 23 2003	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Fully registered $1,000 and multiples thereof	Non-callable	2001 - 1,750 2002 - 1,875 2003 - 2,000	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6

Canadian Dollar Bonds Issued in Canada

ISSUE/SERIES	DESCRIPTION	DATED	AUTHORIZED $(000)	OUTSTANDING DECEMBER 31, 2000 $(000)	INTEREST
60/CQ	8.500% Debentures due April 12, 2005	April 12, 1995	47,000	45,020	Semi-annual April 12 October 12
61/CR	7.750% Debentures due December 1, 2005	December 1, 1995	350,000	350,000	Semi-annual June 1 December 1
62	6.20% Debentures due December 1, 2005	December 1, 1995	134	14	Semi-annual June 1 December 1
64/CS	7.25% Debentures due September 25, 2006	September 25, 1996	100,000	100,000	Semi-annual March 25 September 25
65/CT	6.75% Debentures due April 24, 2007	April 24, 1997	125,000	125,000	Semi-annual October 24 April 24
66/CU	5.000 - 5.625% Serial Debentures due November 5, 2001 - 2006	November 5, 1997	75,000	53,516	Semi-annual May 5 November 5
	5.625% Debentures due November 5, 2007		60,000	60,000	None
68/CV	5.250 - 5.500% Serial Debentures due March 24, 2001 - 2007	March 24, 1998	86,642	77,667	Semi-annual March 24 September 24
	5.500% Debentures due March 24, 2008		336,000	336,000	None
70/CW	5.25% Debentures due June 1, 2009	March 24, 1999	646,000	646,000	Semi-annual June 1 December 1
800	4.750% Debentures due September 1, 2004	September 1, 1999	122	122	Annual September 1

DENOMINATIONS	CALL	SINKING FUND OR MATURITIES NEXT 5 YEARS $(000)	RETRACTION OR EXTENSION	REGISTRAR AND TRANSFER AGENT
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Registered at CDS. Book entry only.	Non-callable	2001 - 7,384 2002 - 8,226 2003 - 8,647 2004 - 9,101 2005 - 9,590	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Registered at CDS. Book entry only.	Non-callable	2001 - 9,445 2002 - 9,941 2003 - 10,462 2004 - 11,024 2005 - 11,616	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company 1600 - 1066 West Hastings St. Vancouver, BC V6E 3X1 320 Bay St. Toronto, ON M5H 4A6

Canadian Dollar Bonds Issued in Europe

ISSUE/SERIES	DESCRIPTION	DATED	AUTHORIZED $(000)	OUTSTANDING DECEMBER 31, 2000 $(000)	INTEREST
39/EB	9.375% Bonds due June 2, 2001	June 2, 1986	65,500	65,500	Annual June 2
56/EC	7.250% Bonds due November 19, 2003	November 19, 1993	98,000	98,000	Annual November 19
58/ED	8.500% Bonds due May 10, 2004	May 10, 1994	91,000	91,000	Annual May 10

U.S. Dollar Bonds Issued in the USA

ISSUE/SERIES	DESCRIPTION	DATED	AUTHORIZED U.S. $(000)	OUTSTANDING DECEMBER 31, 2000 U.S. $(000)	INTEREST
22	9.375% Sinking Fund Debentures due June 1, 2003	June 1, 1978	4,737	1,252	Semi-annual June 1 December 1

DENOMINATIONS	CALL	SINKING FUND OR MATURITIES NEXT 5 YEARS $(000)	RETRACTION OR EXTENSION	PRINCIPAL PAYING AGENT/TRUSTEE/ STOCK EXCHANGE LISTING
Coupon - $1,000	Non-callable except upon imposition of withholding taxes	None	N/A	Krediebank S.A. Luxembourgeoise Luxembourg. Luxembourg Stock Exchange Luxembourg.
Coupon - $1,000 Coupon - $10,000 Coupon- $100,000	Non-callable except upon imposition of withholding taxes	None	N/A	RBC Dominion Securities London, England Luxembourg Stock Exchange Luxembourg.
Coupon - $1,000 Coupon - $10,000	Non-callable	None	N/A	RBC Dominion Securities London, England Luxembourg Stock Exchange Luxembourg.

DENOMINATIONS	CALL	SINKING FUND NEXT 5 YEARS U.S. $(000)	AUTHENTICATING AND PAYING AGENT
Fully registered U.S. $1,000 and multiples thereof	Non-callable except for sinking fund purposes. Optional redemption - Tenders may be called from all holders	2001 - 380 2002 - 416 2003 - 456	Bank of New York 101 Barclay Street, 21 West New York, NY 10286-1091

Auditors' Report 2000

To the Unitholders of the Municipal Finance Authority of British Columbia Pooled Investment Funds

We have audited the statements of net assets of the Money Market Fund, the Intermediate Fund and the Bond Fund of the Municipal Finance Authority of British Columbia (the "Authority") as at December 31, 2000, the statements of operations and unitholders' equity and changes in net assets of each of these Funds for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of these Funds of the Authority as at December 31, 2000, and the results of their operations and the changes in their net assets for the year then ended in accordance with the accounting principles as described in Note 1 to the financial statements.

KPMG LLP

CHARTERED ACCOUNTANTS

Victoria, British Columbia, Canada
February 5, 2001

Statements of Net Assets

December 31, 2000 – with comparative figures for 1999

Thousands of dollars

	MONEY MARKET FUND		INTERMEDIATE FUND		BOND FUND		TOTAL	
	2000	1999	**2000**	1999	**2000**	1999	**2000**	1999
ASSETS								
Cash	**$48**	7,468	**52**	–	**90**	47	**190**	7,515
Investments (Schedules 1, 2 and 3)	**555,800**	471,180	**70,980**	54,977	**122,224**	127,521	**749,004**	653,678
	555,848	478,648	**71,032**	54,977	**122,314**	127,568	**749,194**	661,193
LIABILITIES								
Bank indebtedness	–	–	–	1,945	–	–	–	1,945
Accrued management fees	**75**	66	**12**	10	**20**	22	**107**	98
Unitholder payable	–	63	–	–	–	–	–	63
	75	129	**12**	1,955	**20**	22	**107**	2,106
NET ASSETS AND UNITHOLDERS' EQUITY	**$555,773**	478,519	**71,020**	53,022	**122,294**	127,546	**749,087**	659,087

See Accompanying Notes to Financial Statements

Statements of Operations and Unitholders' Equity

Year Ended December 31, 2000 – with comparative figures for 1999

Thousands of dollars

	MONEY MARKET FUND		INTERMEDIATE BOND FUND		BOND FUND		TOTAL	
	2000	1999	2000	1999	2000	1999	2000	1999
INVESTMENT INCOME								
Interest income	**$30,193**	26,757	**3,056**	4,720	**7,437**	9,272	**40,686**	40,749
Less management fees	**807**	825	**124**	157	**234**	286	**1,165**	1,268
	29,386	25,932	**2,932**	4,563	**7,203**	8,986	**39,521**	39,481
GAIN (LOSS) ON INVESTMENTS								
Net realized gain (loss)	–	–	**35**	(1,662)	**(1,494)**	(3,465)	**(1,459)**	(5,127)
Net unrealized gain (loss)	–	–	**660**	401	**3,452**	(2,542)	**4,112**	(2,141)
Net gain (loss) on investments	–	–	**695**	(1,261)	**1,958**	(6,007)	**2,653**	(7,268)
NET EARNINGS DISTRIBUTED	**$29,386**	25,932	**3,627**	3,302	**9,161**	2,979	**42,174**	32,213
NET ASSETS AND UNITHOLDERS' EQUITY								
Units outstanding, beginning of the year	**$478,519**	445,639	**53,022**	91,670	**127,546**	162,757	**659,087**	700,066
Units subscribed	**1,119,176**	1,310,934	**24,204**	8,017	**26,546**	28,508	**1,169,926**	1,347,459
Distributions reinvested	**29,386**	25,932	**3,627**	3,302	**9,161**	2,979	**42,174**	32,213
Units redeemed	**(1,071,308)**	(1,303,986)	**(9,833)**	(49,967)	**(40,959)**	(66,698)	**(1,122,100)**	(1,420,651)
Units outstanding, end of the year	**$555,773**	478,519	**71,020**	53,022	**122,294**	127,546	**749,087**	659,087

See Accompanying Notes to Financial Statements

12

Statements of Changes in Net Assets

Year Ended December 31, 2000 – with comparative figures for 1999

Thousands of dollars

	MONEY MARKET FUND		INTERMEDIATE FUND		BOND FUND		TOTAL	
	2000	1999	2000	1999	2000	1999	2000	1999
NET ASSETS, BEGINNING OF THE YEAR	**$478,519**	445,639	**53,022**	91,670	**127,546**	162,757	**659,087**	700,066
Changes during the year due to:								
Operations:								
Net investment income	**29,386**	25,932	**2,932**	4,563	**7,203**	8,986	**39,521**	39,481
Net gain (loss) on investments	–	–	**695**	(1,261)	**1,958**	(6,007)	**2,653**	(7,268)
	29,386	25,932	**3,627**	3,302	**9,161**	2,979	**42,174**	32,213
Unit transactions:								
Subscriptions	**1,119,176**	1,310,934	**24,204**	8,017	**26,546**	28,508	**1,169,926**	1,347,459
Redemptions	**(1,071,308)**	(1,303,986)	**(9,833)**	(49,967)	**(40,959)**	(66,698)	**(1,122,100)**	(1,420,651)
	47,868	6,948	**14,371**	(41,950)	**(14,413)**	(38,190)	**47,826**	(73,192)
Distributions to unitholders:								
From investment income	**(29,386)**	(25,932)	**(2,932)**	(4,563)	**(7,203)**	(8,986)	**(39,521)**	(39,481)
From (gain) loss on investments	–	–	**(695)**	1,261	**(1,958)**	6,007	**(2,653)**	7,268
Distributions reinvested	**29,386**	25,932	**3,627**	3,302	**9,161**	2,979	**42,174**	32,213
	–	–	–	–	–	–	–	–
NET ASSETS, END OF THE YEAR	**$555,773**	478,519	**71,020**	53,022	**122,294**	127,546	**749,087**	659,087
CHANGES IN INVESTMENT PORTFOLIO:								
Investments at beginning of year	**$471,180**	440,220	**54,977**	91,676	**127,521**	162,689	**653,678**	694,585
Accretion of discounts	**29,335**	26,466	**2,707**	1,161	**868**	360	**32,910**	27,987
Change in accrued interest	**265**	86	**66**	(891)	**(348)**	(1,411)	**(17)**	(2,216)
Investments purchased	**8,235,280**	6,886,595	**377,754**	1,022,187	**639,856**	1,244,179	**9,252,890**	9,152,961
Net realized gain (loss) on investments sold	–	–	**695**	(1,261)	**1,958**	(6,007)	**2,653**	(7,268)
	8,736,060	7,353,367	**436,199**	1,112,872	**769,855**	1,399,810	**9,942,114**	9,866,049
Proceeds on investments matured or sold	**(8,180,260)**	(6,882,187)	**(365,219)**	(1,057,895)	**(647,631)**	(1,272,289)	**(9,193,110)**	(9,212,371)
Investments at end of year	**$555,800**	471,180	**70,980**	54,977	**122,224**	127,521	**749,004**	653,678

See Accompanying Notes to Financial Statements

Pooled Investments

Notes to Financial Statements

December 31, 2000

1 Summary of Significant accounting policies

The Pooled Investment Funds are established by and operate under Section 13.1 of the Municipal Finance Authority Act (the "Act"). Three funds are maintained:

(a) Money Market Fund which commenced operations on May 1, 1989;
(b) Intermediate Fund which commenced operations on March 25, 1994; and
(c) Bond Fund which commenced operations on May 10, 1989.

These funds are authorized to issue an unlimited number of units, each of which represents an equal undivided interest in the net assets of the respective funds, pro rata, with all other units from time to time issued and outstanding. Units are issued or redeemed at $1,000 per unit.

The financial statements have been prepared by management in accordance with the following significant accounting policies that are generally accepted in the investment fund industry:

MONEY MARKET FUND

(a) Investments are carried at cost, adjusted for amortization of premiums and accretion of discounts on an effective yield basis, which approximates market value except the investments may be marked to market value at the discretion of the Board of Trustees of the Authority should the yield on the net assets of the fund vary by more than 100 basis points from the market yield on Government of Canada 30-day treasury bills.
(b) Interest income is recognized as earned.
(c) Management fees are accrued daily at the rate of 3/20 of 1 percent per annum of the net assets of the fund and are paid monthly to the Operating Fund of the Authority.
(d) Net earnings from operations are distributed to unitholders daily as additional units of the fund.

INTERMEDIATE FUND / BOND FUND

(a) Investments are carried at market values which are determined as follows:
Bonds and debentures – at the quoted mid-market value
Treasury bills, short-term notes, etc. – at amortized cost which approximates market value for the Bond Fund and at mid-market value for Intermediate Fund.
(b) Investment transactions are accounted for on the trade date and gains/losses from such transactions are calculated on an average cost basis.
(c) Interest income is recognized as earned.
(d) Management fees are accrued weekly and at month-end at the rate of 1/5 of 1 percent per annum of the net assets of the fund and are paid monthly to the Operating Fund of the Authority.
(e) Net earnings from operations are distributed to unitholders weekly and at month-end as additional units of the fund.
(f) Accretion of discounts and premiums are amortized on a straight-line basis over the term of the investment.

2 Comparative figures

Certain 1999 comparative figures have been reclassified to conform with the financial statement presentation for the current year.

Money Market Fund – Schedule of Investments

December 31, 2000

Thousands of dollars		MATURITY DATE	PAR	COST	% OF TOTAL
SHORT TERM INVESTMENTS:					
Treasury Bills	Canada Treasury Bill	January 4, 2001	$ 96,300	96,246	
	Ontario Treasury Bill	January 15, 2001	10,600	10,575	
	Ontario Treasury Bill	January 19, 2001	5,400	5,384	
			112,300	112,205	20.18
Bankers' Acceptance	Bank of Nova Scotia	January 22, 2001	19,000	18,934	
	Canadian Imperial Bank of Commerce	January 5, 2001	10,000	9,992	
	Canadian Imperial Bank of Commerce	January 22, 2001	7,000	6,976	
	Canadian Imperial Bank of Commerce	February 2, 2001	10,250	10,197	
	Desjardins Bank	January 5, 2001	3,750	3,747	
	Desjardins Bank	February 21, 2001	9,100	9,026	
	First Bank	January 5, 2001	6,350	6,345	
	First Bank	January 18, 2001	16,900	16,852	
	First Bank	January 25, 2001	4,500	4,482	
	HongKong Canada Bank	January 3, 2001	9,400	9,396	
	HongKong Canada Bank	January 25, 2001	10,000	9,960	
	Royal Bank of Canada	January 10, 2001	1,050	1,048	
	TD Bank	January 2, 2001	12,500	12,496	
	TD Bank	January 29, 2001	15,050	14,981	
			134,850	134,432	24.19
Bearer Deposit Notes	Royal Bank of Canada	January 3, 2001	13,050	13,044	2.34
Discount Commercial Paper	Aliant Inc.	January 29, 2001	3,100	3,086	
	Associates Capital	January 10, 2001	2,900	2,895	
	Associates Capital	January 19, 2001	7,000	6,979	
	Associates Capital	January 23, 2001	10,000	9,964	
	Associates Capital	February 1, 2001	6,900	6,865	
	BCE Inc.	January 8, 2001	17,000	16,978	
	BCE Inc.	January 15, 2001	10,000	9,976	
	Chevron Canada Enterprises	January 30, 2001	9,000	8,957	
	Colgate Palmolive Canada	January 2, 2001	3,300	3,299	
	Colgate Palmolive Canada	January 10, 2001	12,550	12,530	
	Colgate Palmolive Canada	January 26, 2001	10,900	10,855	
	Credit Union British Columbia	January 23, 2001	9,000	8,967	
	Credit Union British Columbia	February 12, 2001	10,600	10,528	
	CU Inc.	January 2, 2001	13,700	13,696	
	Daimler Chrysler Canada	January 11, 2001	14,000	13,975	
	Diversified Trust	January 4, 2001	17,900	17,889	
	Diversified Trust	February 7, 2001	8,000	7,952	
	Enbridge Pipeline Inc.	January 2, 2001	15,000	14,995	
	Ford Credit Canada	January 9, 2001	11,700	11,683	
	General Electric Capital Canada	January 9, 2001	10,000	9,986	
	General Motors Acceptance	January 17, 2001	1,900	1,895	
	Hart Trust	January 8, 2001	7,600	7,590	
	Honda Canada Finance	January 8, 2001	3,000	2,996	
	Honda Canada Finance	January 15, 2001	4,800	4,789	
	Honda Canada Finance	January 16, 2001	3,000	2,992	
	Honda Canada Finance	February 2, 2001	8,000	7,958	
	John Deere Credit	January 17, 2001	10,000	9,973	
	John Deere Credit	January 18, 2001	4,800	4,786	
	John Deere Credit	January 25, 2001	9,000	8,964	
	John Deere Credit	January 24, 2001	4,000	3,985	
	Summit Trust	January 15, 2001	6,950	6,933	
	Summit Trust	January 19, 2001	10,800	10,767	
	Summit Trust	January 22, 2001	10,500	10,463	
	Toyota Credit Canada	January 15, 2001	3,000	2,993	
	Trans Mountain Pipeline	January 18, 2001	7,000	6,980	
			296,900	296,119	53.29
TOTAL INVESTMENTS PORTFOLIO			$557,100	555,800	100.00

Intermediate Fund – Schedule of Investments

December 31, 2000

Thousands of dollars		MATURITY DATE	PAR	MARKET	% OF TOTAL
SHORT TERM INVESTMENTS:					
Treasury Bills	Canada Treasury Bills	January 18, 2001	$ 8,750	8,722	
	Canada Treasury Bills	November 8, 2001	27,400	26,184	
	Canada Treasury Bills	October 11, 2001	5,150	4,941	
			41,300	39,847	56.14
Discount Commercial Paper	Associates Capital	August 28, 2001	4,000	3,855	
	DaimlerChrysler Canada	September 7, 2001	4,000	3,848	
	Ford Credit Canada Ltd.	July 27, 2001	4,000	3,872	
	General Electric Capital Canada Funding Co.	January 22, 2001	100	100	
	General Motors Acceptance	July 27, 2001	4,000	3,873	
			16,100	15,548	21.90
Bearer Deposit Notes	HongKong Canada Bank	August 3, 2001	3,350	3,242	4.57
Total Short Term Investments			60,750	58,637	82.61
CANADIAN BONDS:					
Corporate Bonds	Bank of Montreal	May 1, 2002	3,700	3,980	
	Trans Mountain Pipeline	February 18, 2002	4,000	4,321	
			7,700	8,301	11.69
ASSET BACKED:					
Mortgage Backed-NHA	NHA MBS	February 1, 2002	6,000	4,042	5.70
TOTAL INVESTMENTS PORTFOLIO			$74,450	70,980	100.00

(Schedule 3)

Bond Fund – Schedule of Investments

December 31, 2000

Thousands of dollars		MATURITY DATE	PAR	MARKET	% OF TOTAL
SHORT TERM INVESTMENTS:					
Treasury Bills	Canada Treasury Bill	January 4, 2001	$ 50	50	0.04
Bankers' Acceptance	Bank of Nova Scotia	January 29, 2001	5,000	4,980	
	Canadian Imperial Bank of Commerce	January 22, 2001	5,500	5,481	
	Desjardins Bank	February 28, 2001	3,200	3,170	
	Firstbank	January 19, 2001	2,200	2,193	
	HongKong Canada Bank	January 4, 2001	4,200	4,197	
	Royal Bank of Canada	January 29, 2001	1,500	1,493	
			21,600	21,514	17.60
Discount Commercial Paper	Associates Capital Corp.	February 16, 2001	250	248	
	Associates Capital Corp.	January 23, 2001	100	100	
	BCE Inc.	January 15, 2001	250	249	
	Bell Canada	January 18, 2001	200	199	
	General Electric Capital Canada Funding Co.	January 9, 2001	600	599	
	General Electric Capital Canada Funding Co.	January 22, 2001	250	249	
	General Electric Capital Canada Funding Co.	February 20, 2001	100	99	
			1,750	1,743	1.43
Total Short Term Investments			23,400	23,307	19.07
MEDIUM TERM NOTES	Bell Canada	December 1, 2003	3,400	3,449	
	Bell Canada	May 9, 2005	1,495	1,527	
	General Motors Acceptance Corp.	May 23, 2002	2,220	2,259	
	Household Finance Corp.	October 27, 2003	2,465	2,507	
			9,580	9,742	7.97
CANADIAN BONDS					
Federal Bonds	Government of Canada	June 1, 2003	7,205	7,565	
	Government of Canada	December 1, 2003	2,035	2,166	
	Government of Canada	December 1, 2004	12,650	14,347	
	Government of Canada	December 1, 2005	14,425	16,607	
			36,315	40,685	33.29
Provincial Bonds	Province of Alberta	December 1, 2004	4,110	4,176	3.42
Corporate Bonds	Associates Capital Corporation of Canada	May 6, 2002	2,335	2,344	
	BA Master Credit Card Trust	November 21, 2003	4,215	4,247	
	Bank of Montreal	December 1, 2008	3,000	3,019	
	Canada Life Assurance Co.	September 1, 2004	906	911	
	Canadian Imperial Bank of Commerce	October 21, 2009	3,430	3,558	
	Chrysler Credit Canada	April 8, 2003	2,000	2,010	
	DaimlerChrysler Canada	June 3, 2003	2,000	2,016	
	General Motors Acceptance Corp.	September 16, 2002	3,000	3,047	
	Hollis Trust	June 23, 2003	1,890	1,940	
	Royal Bank of Canada	Aug/15/2010	5,000	5,232	
	Toronto Dominion Bank	September 3, 2007	3,700	3,767	
	York Receivables Trust II	October 21, 2002	5,350	5,387	
			36,826	37,478	30.66
Total Canadian Bonds			77 251	82,339	67.37
ASSET BACKED:					
Mortgaged Backed - NHA	Pool # 97000962	March 1, 2003	3,310	2,531	
Mortgage Backed - Conventional	N-45 First CMBS Issuer Corp.	October 15, 2002	4,345	2,711	
Total Asset Backed			7,655	5,242	4.28
MORTGAGES:					
NHA Insured Mortgages	Penmor Mortgage	November 1, 2003	298	299	
CMHC Insured Mortgages	Penmor	July 15, 2002	255	258	
Total Mortgages			553	557	0.46
CANADIAN PREFERRED STOCKS:					
Perpetual	MacKenzie Income Trust, Class A Pfd.		84	1,037	0.85
TOTAL INVESTMENTS PORTFOLIO			$118,523	122,224	100.00

Interim Financing and Leasing Funds

Auditors' Report 2000

To the Members of the Municipal Finance Authority of British Columbia

We have audited the balance sheet of the Interim Financing and Leasing Funds of the Municipal Finance Authority of British Columbia (the "Authority") as at December 31, 2000, and the statements of revenue, expenditure and surplus and cash flows of the Funds for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Interim Financing and Leasing Funds of the Authority as at December 31, 2000, and the results of their operations and their cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

CHARTERED ACCOUNTANTS

Victoria, British Columbia, Canada
February 5, 2001

Balance Sheet

December 31, 2000 – with comparative figures for 1999

Thousands of dollars	2000	1999
ASSETS		
Cash	$94	131
Loans receivable - including accrued interest (Note 2)	147,265	129,680
Unamortized contractor costs (Note 3)	298	170
Total assets	$147,657	129,981
LIABILITIES AND SURPLUS		
Bank loan payable - including accrued interest (Note 4)	$147,432	129,663
Management fees payable	94	100
Contractor fees payable	4	60
Due to Operating Fund	–	33
Total liabilities	147,530	129,856
Surplus, per accompanying statement	127	125
Total liabilities and surplus	$147,657	129,981

Statement of Revenue, Expenditure and Surplus

Year Ended December 31, 2000 – with comparative figures for 1999

Thousands of dollars	2000	1999
REVENUE		
Interest	$9,144	5,778
EXPENDITURE		
Interest	8,858	5,584
Management fees (Note 5)	177	60
Amortization of contractor costs	68	24
Office	24	21
Bank charges	15	11
Total expenditure	9,142	5,700
Excess of revenue over expenditure for the year	2	78
Prior year's surplus	125	47
Surplus at the end of the year	$127	125

SECRETARY-TREASURER

See Accompanying Notes to Financial Statements

Statement of Cash Flows

Year Ended December 31, 2000 – with comparative figures for 1999

Thousands of dollars	2000	1999
OPERATING ACTIVITIES		
Excess of revenue over expenditure for the year	**52**	78
Add (deduct) non-cash items:		
Amortization of contractor costs	**68**	24
Contractor costs paid	**(252)**	(138)
Change in management fees payable	**(6)**	60
Cash provided (used) by operating activities	**(188)**	24
FINANCING ACTIVITIES		
Increase in bank loan	**17,769**	58,202
Loans repaid	**114,880**	124,611
New loans issued	**(132,465)**	(182,810)
Loans from Operating Fund	**(33)**	64
Cash provided by financing activities	**151**	67
(Decrease) increase in cash	**(37)**	91
Cash, beginning of the year	**131**	40
Cash, end of the year	**$94**	131

See Accompanying Notes to Financial Statements

Notes to Financial Statements

December 31, 2000

1 Summary of Significant Accounting Policies

The interim financing program was established in 1990 and operates under Section 9.1 of the Municipal Finance Authority Act (the "Act"). In 1992, the Act was amended to extend the interim financing program to other public institutions (as defined) in the Province of British Columbia.

INTERIM FINANCING FUND

This program provides a revolving credit facility for tax revenue, interim funding requirements and temporary financing of capital projects.

POOLED LEASING FUND

This program provides a revolving credit facility for funding the short term leasing of capital assets.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the following accounting policies:

(a) Interest income is recognized as earned;

(b) Interest payable is accrued on a daily basis; and

(c) Under the Act, the Authority may appropriate the prior year's surplus for current operations. In order to protect the Authority from interest rate exposure, all lessees are to settle any surplus or deficiency on payments made to the Authority over the life of the lease at the final lease payment.

2 Loans Receivable

The loans receivable relate to loans for the following purposes:

Thousands of dollars	2000	1999
INTERIM FINANCING FUND		
Temporary financing of capital projects	$71,850	74,313
Short term capital borrowing	26,836	22,811
	98,686	97,124
POOLED LEASING FUND		
Short term leases of capital equipment	48,579	32,556
COMBINED TOTAL	$147,265	129,680

Included in Temporary financing of capital projects is $56,632,714 (1999 – $55,322,941) of loans receiveable from the Capital Financing – Debt Fund relating to the refinancing of certain Capital Financing debt issues. During the year, $3,245,265 (1999 – $1,418,636) was received as interest payments on these loans.

3 Unamortized Contractor Costs

Under the leasing program the Authority incurs up front fees payable to On-Line Finance (the contractor), of 25 basis points (.25 of 1%) of the present value of the future lease payments due. This fee is payable at the time the lease is signed. This present value amount is then amortized over the life of the lease. The balance sheet item is the accumulation of the present value of those amounts paid less what has been amortized to date. In the event of an early payout by the lessee, the appropriate amount of the fee is refunded by the contractor to the Authority. A portion of this up-front fee has been funded through a loan from the Operating Fund.

4 Bank Loan Payable

The Authority has an agreement under which the bank provides a revolving credit facility for the interim financing and leasing requirements subject to repayment within 30 days following demand by the bank.

Thousands of dollars	2000	1999
INTERIM FINANCING FUND		
Funding for revenue anticipation (tax revenue), interim funding requirements and temporary funding of capital	$98,675	97,111
POOLED LEASING FUND		
Funding the leasing of capital assets	48,757	32,552
COMBINED TOTAL	$147,432	129,663

5 Management Fees

The management fees are paid to the Operating Fund of the Municipal Finance Authority of British Columbia.

6 Supplemental cash flow information

During the year the Authority received interest payments of $2,714,529 (1999 – $1,483,678) on lease receivables and $6,078,922 (1999 – $3,854,376) on temporary financing/short term capital loans receivable.

During the year the Authority made interest payments of $8,489,207 (1998 – $5,143,777) on its bank loan.

7 Comparative figures

Certain 1999 comparative figures have been reclassified to conform with the financial statement presentation for the current year.